PRIME RESEARCH

Thematic

HDFC securities 25 YEARS
Powering India's Investments

Textiles

Tailwinds Translating into Traction

RAW MATERIAL — YARN SPINNING — WEAVING / KNITTING — FABRIC PROCESSING — GARMENT MANUFACTURING — HOME TEXTILES — TECHNICAL TEXTILES — BRANDS / EXPORTS

July 25, 2026

Initiating Coverage

Company	MCap (Rs Cr)	CMP	Base Case	Bull Case
KPR Mill	36,280	1,061	1,174	1,267
Welspun Living	15,319	162	180	197
Arvind	13,834	527	584	632
Sanathan Textiles	4,110	483	530	572

Arvind Ltd

LTP (Jul 24, 2026)	527
Entry Range	520-535
Add on Dips	475-490
Base Case Target	584
Bull Case Target	632
Time Horizon	4 Quarters

K.P.R. Mill Ltd

LTP (Jul 24, 2026)	1,061
Entry Range	1,045-1,075
Add on Dips	955-980
Base Case Target	1,174
Bull Case Target	1,267
Time Horizon	4 Quarters

Sanathan Textiles Ltd

LTP (Jul 24, 2026)	483
Entry Range	475-490
Add on Dips	425-440
Base Case Target	530
Bull Case Target	572
Time Horizon	4 Quarters

Welspun Living Ltd

LTP (Jul 24, 2026)	162
Entry Range	160-168
Add on Dips	142-148
Base Case Target	180
Bull Case Target	197
Time Horizon	4 Quarters

Fundamental Research Analyst

Darshil Shah

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India Textiles - The Confluence of Tailwinds

*After navigating a prolonged period of subdued global demand, elevated input costs, structural competitiveness challenges, and geopolitical disruptions, the Indian textile sector is approaching an inflection point. As these headwinds gradually recede and are replaced by **improving demand conditions, easing cost pressures, supportive policy initiatives, and strengthening global competitiveness**, the sector appears well positioned to enter its next growth and earnings upcycle.*

*The next phase of growth is expected to be driven by the convergence of three structurally independent forces: (i) **Trade Access:** The India-UK CETA (effective July 15, 2026) and the India-EU FTA (signed January 2026, implementation from 2027) together eliminate tariffs of 8–12% on Indian apparel, home textiles, and technical textiles entering markets that collectively import over USD 300 billion in textiles and apparel annually. (ii) **Competitive Repositioning:** China's global apparel export share has declined in recent years as Western retailers continue to reduce China dependency. India's recent FTAs further narrow the competitive gap between Indian exporters and their Bangladeshi and Vietnamese counterparts. (iii) **Domestic Earnings Cycle:** Indian Textiles players are coming out of a prolonged period of global inventory de-stocking and raw material price spikes. With cotton prices now stable, Indian textile players seem to have turned the corner in terms of a subdued demand environment and margin pressure. With significant capex for most domestic incumbents already behind them, the domestic earnings cycle is ripe for growth.*

These three forces are not additive — they are multiplicative. A tariff elimination that coincides with competitor weakness and a domestic operating leverage cycle creates an earnings inflection that the market, in our view, has not yet fully priced. India's apparel exports to the EU stood at just 3% of that market in FY26 — versus Bangladesh's 18% and China's 27%. Even capturing an incremental 2 percentage points of EU market share over three years — a modest assumption given the FTA — implies approximately USD 5 billion in additional export revenue. The AEPC projects EU exports could grow 20–25% annually under the FTA regime and double in three to four years. We initiate coverage on four companies positioned across the value chain to capture this structural moment at different risk-return profiles.

*We initiate coverage with a BUY rating **on Arvind Ltd, KPR Mill Ltd, Sanathan Textiles Ltd, and Welspun Living Ltd, each with its own right to win the convergence of tailwinds in the sector across the value chain and each well poised to capture industry growth**.*

The FTA Dividend Is Real, Immediate, and Underpriced

- The India-UK Comprehensive Economic and Trade Agreement (CETA) officially came into effect on July 15, 2026, eliminating import duties of up to 12% on Indian apparel and home textiles. At an India-UK textile trade of approximately USD 2.5 bn (FY26), 12% tariff elimination implies a gross annual benefit of USD 300 mn — shared between Indian exporters (margin improvement) and UK buyers (procurement cost reduction and potential volume increase).
- The split will depend on market dynamics, but even a 50/50 division implies USD 150 million (approximately Rs 1,260 crore) of structural earnings improvement for Indian textile exporters as an industry.
- The EU FTA, signed in January 2026 with implementation expected in 2027 after parliamentary ratification, adds a second and larger leg. India's current EU apparel exports of approximately USD 4.5 billion represent just 3% of the EU's USD 250 billion annual apparel import market. The AEPC Chairman has projected 20–25% annual export growth to the EU under zero-duty access conditions.
- With the earnings impact in Indian Textile players' P&L expected to be visible in from H2FY27, we believe that the structural impact of these FTAs are not fully priced in, despite the initial run-up in prices post the announcement of the FTAs.
- For the first time, Indian manufacturers will compete on price parity with Bangladesh, Vietnam, Cambodia, and Pakistan — countries that have enjoyed duty-free access to these markets for years while India paid a 12% tariff penalty on every shipment. This level playing field is expected to structurally improve India's export volumes and improve margins, given the quality and variety of products Indian players have to offer and that too, at scale.

Market	India's Current Share	Pre-FTA Tariff	Post-FTA Tariff	Annual Import Value
EU Apparel	~3%	8-12%	0%	USD 250 Bn
UK Apparel	~6.6%	12%	0%	USD 28.8 Bn
EU Home Textile	~5%	10-12%	0%	USD 45 Bn
EU Tech Textile	~4%	8-10%	0%	USD 35 Bn
Total EU+UK	**~4%**	**--**	**--**	**USD 350+ Bn**

(Source: HDFC sec)

India's Competitiveness is Improving, Not Just Relatively but Absolutely

- India's textile competitiveness argument has historically rested on relative comparisons — 'cheaper than China, more compliant than Bangladesh.' The FY26–FY29 cycle adds an absolute dimension: India's manufacturing cost structure is genuinely improving.
- The PLI scheme for MMF textiles has catalysed investment in high-value synthetic fabric production where India previously had minimal presence. PM MITRA Parks (190 acres allotted in Tamil Nadu alone as of February 2026, with Rs 2,192 crore committed investment) are creating plug-and-play textile manufacturing infrastructure at globally competitive costs. The Samarth scheme is training 3 lakh textile workers, directly addressing the skill gap that has historically constrained India's output quality at scale.
- India's vertically integrated domestic supply chain — from cotton cultivation to spinning, weaving, dyeing, and garmenting — gives it a structural advantage over Vietnam and Bangladesh that is often understated. Vietnam imports 44% of its apparel value-added from China; Bangladesh imports all its polyester fabric essentially. India's domestic textile supply chain means Indian garment exports carry just 21% foreign value-added — the most India-made export in the apparel universe. As ESG-mandated 'country of origin' requirements tighten and as geopolitical risk premiums on Chinese-input-intensive supply chains increase.
- Chinese apparel export share has fallen 800 basis points over a decade. At USD 158 billion of total Chinese apparel exports, even a 5% share cession represents USD 7.9 billion of addressable demand. India currently captures a small fraction of this displaced demand, with its global apparel market share sitting at roughly 4%, while competitors like Vietnam and Bangladesh absorb the majority.
- As Western retailers look to diversify from China, Indian exporters have a significant opportunity to capture this proportionate share in China's exit and FTAs with UK and US and ongoing trade negotiations with US provide a timely opportunity for textile exporters.

Country	Apparel Export Share	US Tariff (Post-Feb 2026)	EU Duty	UK Duty	Key Structural Risk
China	29% (down from 37%)	125%+	12%	0	Geopolitical; labour cost
Bangladesh	~10%	37%	0%*	0	LDC graduation 2027; wages
Vietnam	~7%	46%	0%**	0	China-linked inputs (44%)
India	**~4%**	**18%**	**0%*** **	**0%*** **	**Compliance**

*Bangladesh EU duty-free continues 3 years post LDC graduation. **Vietnam EU-Vietnam FTA. ***India EU/UK FTA effective Jul 15, 2026: EU effective ~2027.

(Source: HDFC sec)

The Margin Upcycle Has Begun and is Still Early

- The earnings trough in Indian textiles was FY25 or H1FY26 for most companies as EBITDA margins hit multi-year lows due to the concurrent impact of destocking, input cost inflation, and capex-heavy balance sheets.
- After a prolonged period of volatility, Cotton Candy futures have moderated and become more range-bound. This has reduced raw material cost uncertainty for textile players, enabling better inventory management and supporting gross margin recovery.
- After peaking at around Rs 95,000 -1,00,000 per kg (356 kg) in 2022 before falling to around 58,000-60,000 in the following years. Cotton candy prices have since stabilised in the range of Rs 55,000-58,000 with only temporary fluctuations from import duty changes. Going forward, prices are expected to continue to remain range-bound on stable cotton output.

- As cotton input costs have eased while yarn realisations have remained relatively resilient, spinning mills are seeing healthier cotton-to-yarn spreads. This expansion in spreads is translating into improved operating margins across the value chain.
- With raw material costs stabilising and export demand gradually recovering, garment manufacturers are experiencing better pricing discipline and higher capacity utilisation. The combination of easing input cost pressures and improved order flows is driving margin expansion.
- Margins are expected to further elevate from operating leverage as the majority of the players have completed significant capacity addition cycles in recent years. KPR Mill built Odisha (50 million pieces), Sanathan built Punjab (255,000 MTPA), Welspun built Nevada (pillow manufacturing) and Arvind expanded denim fabric capacity.
- These assets have been commissioned at partial utilisation during the destocking cycle. As order flows normalise, each percentage point of utilisation improvement on these fixed-cost assets drops disproportionately to EBITDA. The operating leverage in this upcycle is higher than in previous textile cycles because the capacity added is proportionally larger.

Valuation & Recommendation

Arvind Ltd - India's one of the most diversified textile platforms, denim fabric leader supplying Bangladesh and Vietnam, a growing garment export business, and domestic brands (Arrow, Flying Machine) providing consumer franchise. The EU-India FTA directly benefits its denim and woven fabric export margins; the domestic brand business adds a re-rating layer that pure-play exporters lack.

We believe investors can buy the stock in the Rs 520-535 band (16.5x FY29E EPS) and add on dips in Rs 475-490 band (15.0x FY29E EPS) for a base case fair value of Rs 584 (18.0x FY29E EPS) and bull case fair value of Rs 632 (19.5x FY29E EPS) over the next 4 quarters.

KPR Mill Ltd - The most direct FTA beneficiary as ~58% of garment revenues come from EU and UK markets, where a 12% tariff wall has just been eliminated. Vertical integration from cotton to finished garment delivers structural margin superiority over peers; the Odisha greenfield adds the capacity leg to absorb the incremental order flow the FTA will unlock.

We believe investors can buy the stock in the Rs 1045-1075 band (28.5x FY29E EPS) and add on dips in Rs 955-980 band (26.0x FY29E EPS) for a base case fair value of Rs 1174 (31.5x FY29E EPS) and bull case fair value of Rs 1267 (34.0x FY29E EPS) over the next 4 quarters.

Sanathan Textiles Ltd - The upstream enabler whose revenue trajectory is a function of capacity, not demand — Punjab Phase I has received positive response and overall Polyester capacity to increase from ~2.0 MTPA to ~5.5 MTPA, once Phase II commercialises. With 3,200+ yarn varieties, captive polymerisation, diversification through technical textiles and a monopoly on North India's proximity advantage for polyester supply, Sanathan is well poised to capture the next leg of growth in textile demand.

We believe investors can buy the stock in the Rs 475-490 band (12.75x FY29E EPS) and add on dips in Rs 425-440 band (11.5x FY29E EPS) for a base case fair value of Rs 530 (14.0x FY29E EPS) and bull case fair value of Rs 572 (15.0x FY29E EPS) over the next 4 quarters.

Welspun Living Ltd - A trough recovery story backed by structural assets that a difficult year has not diminished — global #1 in US towels and bath rugs, 50 patents, a 90/100 S&P ESG score, and retailer relationships built over four decades. Net debt has significantly reduced in FY26, free cash flows are improving, and the domestic branded business exited Q4FY26 with robust growth, laying the foundations of a strong recovery in FY27 and beyond.

We believe investors can buy the stock in the Rs 160-168 band (19.5x FY29E EPS) and add on dips in Rs 142-148 band (17.5x FY29E EPS) for a base case fair value of Rs 180 (21.5x FY29E EPS) and bull case fair value of Rs 197 (23.5x FY29E EPS) over the next 4 quarters.

Coverage Company	Market Cap (Rs Cr)	CMP	Base Case Target	Bull Case Target	FY26-29E Rev CAGR	FY26-29E PAT CAGR	FY26 EBITDAM	P/E (FY29E)	EV/EBITDA (FY29E)
KPR Mill	36,280	1,061	1,174	1,267	10.2%	13.7%	19.1%	28.5x	18.9x
Welspun Living	15,319	162	180	197	12.3%	53.0%	8.4%	19.3x	10.3x
Arvind	13,834	527	584	632	12.7%	27.1%	10.8%	16.2x	9.2x
Sanathan Textiles	4,110	483	530	572	23.8%	62.6%	7.5%	12.7x	7.6x

Table of Contents

Coverage Stocks

Indian Textile Industry – At an Inflection

India's textiles and apparel industry remains one of the largest and most labour-intensive segments of the domestic economy, contributing an estimated 2–2.3% to GDP and ~11% of manufacturing gross value added, while supporting employment for over 45mn people directly and indirectly — making it the second-largest employer after agriculture. The domestic textile market is estimated at ~US$150-155bn (CY25), with the broader textile-and-apparel complex (including retail) pegged higher when downstream consumption is included. The industry is a rare case of a full value-chain presence within the country — from fibre (cotton, man-made fibre) to yarn, fabric, garmenting, home textiles and technical textiles — a structural advantage few other apparel-exporting nations possess.

Demand in the global textile and apparel trade has been somewhat constrained from CY21 through to CY25, with tariff uncertainty, high inflation and a need for retailers to destock all acting as headwinds. But as we look ahead to FY26-28, India is well placed to benefit from a number of tailwinds coming together: there is a more even tariff playing field vis-a-vis other sourcing hubs, major US retailers have put their inventory correction behind them, and global sourcing is steadily moving away from China. Add to that a new round of capacity building at home, underwritten by government incentives, and the outlook is favourable.

Improving Cotton Yarn Spreads

India is the world's largest producer of cotton and among the largest spinning hubs globally, with cotton accounting for ~55% of domestic raw material consumption despite the global shift to synthetics. The spinning industry comprises an estimated 50mn+ spindles and a large open-end rotor base, concentrated in Punjab, Gujarat, Maharashtra, Tamil Nadu and Telangana. Cotton yarn output stood at ~5.3mn tonnes in the base year reported by the Ministry of Textiles, with India exporting a meaningful share of yarn to China, Bangladesh and Vietnam even as it competes with those very markets downstream in garments.

For a spinner, cotton is by far the heaviest raw-material expense, running as high as 77% of the bill for an integrated outfit like Vardhman Textiles. That makes the price differential between cotton and yarn the single most important factor in gauging gross margin for the spinning business. But over the past couple of years that spread has been squeezed hard. In India, the cost of domestic cotton has outpaced what spinners can get for their yarn on account of several things:

(i) First, supply at home has tightened. With the FY26 crop down some 3% on the year and total supply easing to 6.4 million tonnes while consumption remains flat, India has had to turn to imports from Australia and Brazil.

(ii) Then you have policy costs; the Cotton Corporation of India's MSP-backed buying (some 30% of all domestic output) and an 11% import duty have propped up local prices above world levels. And with demand for yarn soft in the wake of post-pandemic destocking in the apparel and home-textile space, spinners were not in a position to put higher input costs on to the buyer.

Now we are seeing the spread improve as both sides of the equation shift. Global cotton is firming up due to thinning inventories and poor crop forecasts, a worldwide phenomenon. Meanwhile, yarn realisations are on the mend as end-demand gets back to normal. US retailers have worked through their stockpiles to pre-pandemic numbers and global brands are talking up better sell-through and some growth heading into CY26. Since cotton costs are now moving in step with yarn prices instead of getting ahead of them, we expect a slow but steady recovery in margins for the value chain through to FY29.

Indian cotton has regained its global competitiveness as domestic cotton prices have moved closer to international price levels. Consequently, ***cotton yarn spreads have recovered significantly from around Rs 95-100/kg in FY26 to ~ Rs 120–125/kg currently***, supported by better demand, tighter supply, and cotton price parity.

Garmenting is on a Strong Footing

Garmenting is the largest value-added and most employment-intensive segment of the chain, anchored around clusters in Tirupur (knits), Bengaluru, NCR and Ludhiana (wovens), and Kolkata. Listed garment exporters have benefited materially from the China-plus-one shift, with US and EU buyers actively diversifying vendor bases away from China and, more recently, Bangladesh (owing to domestic disruptions there). Order-book commentary from listed players points to continued double-digit capacity additions, with several companies also building out African manufacturing bases (e.g., under AGOA-linked access) to serve the US market alongside their domestic Indian capacity.

Vertically integrated players (spin-to-stitch) have generally outperformed pure-play cut-and-sew garmenters on margin stability, given captive access to yarn and fabric. Key demand drivers include the UK FTA (concluded 2025), continuing negotiations with the EU, and India's improved relative tariff positioning versus China in the US market following the tariff recalibration in early CY26. Execution risk sits less in capacity — most listed players have visibility on expansion — and more in speed, compliance and flexibility demanded by global buyers reallocating orders at short notice.

Home Textiles is Starting to Improve

India is the leading global supplier of home textiles (terry towels, bed linen, made-ups) to the US, aided by large, integrated manufacturing complexes such as Welspun's Anjar facility in Gujarat — among the largest home textile manufacturing sites globally. The segment is heavily export-oriented (domestic majors derive 80-90%+ of revenue from exports), with the US as the dominant end-market, followed by the EU and UK. Demand is closely linked to US housing/retail inventory cycles, and the segment has been a direct beneficiary of supply-chain diversification away from China in bed and bath linen categories.

Listed home-textile majors have pursued asset-light and design-led strategies (in-house branding, faster product cycles, traceability/ESG certification such as DNA-tagged cotton) to defend share against Pakistani and Chinese competition, while capacity expansion continues in bed linen, terry and technical/utility textiles as companies diversify beyond core categories.

The Structural Shift towards Technical Textile/Man-Made Fibers (MMF)

The textile industry in India is witnessing a structural change as commodity cotton spinning shifts to the production of Man-Made Fibres (MMF), nonwovens, and value-added speciality yarns. What used to be understood as a consumer-oriented demand trend (athleisure and performance wear) is today being driven by the change in materials, due to the GST 2.0 rationalisation of September 2025, which put an end to the inverted duty structure, making the MMF-based textiles more expensive than cotton to produce over the past two decades.

India is the fifth-largest technical textiles market globally, with applications spanning medical (meditech), automotive (mobiltech), agriculture (agrotech), geotextiles, protective apparel and industrial fabrics. This segment is structurally linked to the broader MMF opportunity: globally, synthetic fibres now account for ~75% of fibre production and dominate yarn and fabric trade, whereas India's fibre base remains cotton-heavy and MMF capacity comparatively underdeveloped versus China, which controls roughly 70% of global polyester output.

Value-chain stage	Pre-Sept 2025 GST	Post GST 2.0 (from 22-Sep-2025)
MMF Fibre	18%	0.05
MMF Yarn	12%	5%
Nonwoven / Technical Fabric (select HSN)	12%	5%
Cotton (fibre/yarn/fabric)	5% (uniform)	5% (unchanged)
Garments ≤ ₹2,500/piece	5% (≤₹1,000 threshold)	5% (threshold raised to ₹2,500)
Garments > ₹2,500/piece	12%	18%

(Source: Industry, HDFC Sec)

Methods like Spunlace, Needlepunch, and thermal bonding are continuously influencing capital investments, pulling the industry away from exposure to fashion-related apparel toward lucrative, recession-proof applications in areas like automobile interiors, filtration media, health & hygiene, and industrial construction. It is also noteworthy that nonwovens of HSN 5601-5911 have been added to the 5% GST regime through a recent GST 2.0 rationalisation process, making it another positive development for Welspun's Spunlace/Needlepunch plant and Arvind's new Dalco-GFT needle punch facility.

Government Push and Policy Support

- **PLI Scheme for Textiles:** Targets MMF apparel/fabrics and technical textiles specifically, with a revised, lower entry-investment threshold (as low as Rs 50cr) introduced to widen participation beyond only large players; intended to correct India's cotton-heavy production mix.
- **PM MITRA Parks:** Seven mega integrated textile parks (Tamil Nadu, Gujarat, Uttar Pradesh, Madhya Pradesh, Telangana, Karnataka, Maharashtra/Odisha sites under development) with a combined outlay of ~Rs 4,445cr through FY28, designed as plug-and-play parks (integrated

power, ETP, logistics) with potential to unlock ~Rs 70,000cr of investment; execution has picked up through CY25-26 with initial land allotments and anchor-investor commitments.

- **Cotton support:** A dedicated five-year Cotton Mission (~Rs 600cr) and periodic suspension of the 11% cotton import duty (most recently through H2 CY25) to ease raw material costs for spinners and downstream users during periods of elevated domestic cotton prices.
- **Skilling:** The SAMARTH scheme has trained ~5.9mn+ beneficiaries cumulatively (through FY26) and placed a large share into employment, targeting the sector's persistent skilled-labour gap.
- **Trade policy:** Conclusion of the UK FTA, zero-duty access already secured with UAE and Australia, and ongoing EU negotiations are collectively aimed at giving Indian exporters preferential access broadly comparable to competing sourcing hubs such as Bangladesh and Vietnam.

Key Listed Players Across the Textile Value Chain

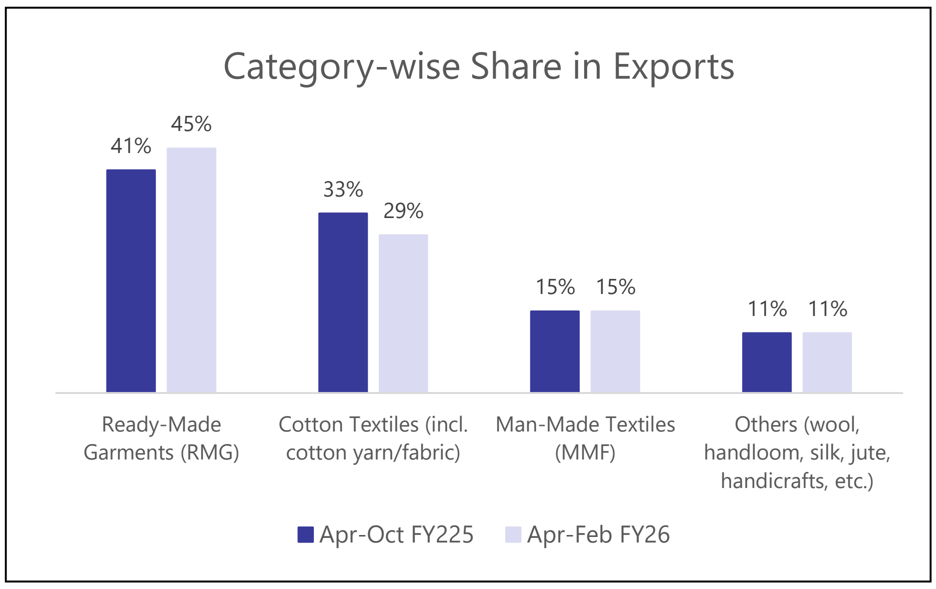
Segment	Key Players	Capacity Positioning
Cotton & Yarn Spinning	Vardhman Textiles Trident Nahar Spinning Mills RSWM Nitin Spinners Ambika Cotton Mills Sanathan Textiles Sangam (India) Sportking India	Vardhman: ~1.1-1.4mn spindles (largest listed spinner); segment largely commoditised, value-added yarn mix expanding
Garment Manufacturing	KPR Mill Gokaldas Exports Pearl Global Industries S.P. Apparels Kitex Garments Arvind	KPR Mill: largest listed garmenting capacity (spin-to-stitch integrated); Gokaldas/Pearl Global: pure-play exporters expanding India + Africa capacity
Homes Textiles	Welspun Living Trident Indo Count Industries Himatsingka Seide	Welspun's Anjar (Gujarat) facility: among world's largest integrated home-textile complexes; Trident: ~90% export revenue; Indo Count: asset-light, design-led bedding specialist
Technical Textiles (MMF)	Garware Technical Fibres Century Enka Indo Rama Synthetics Filatex India Ganesha Ecosphere JBF Industries	Narrower listed base vs. cotton/garments; exposure via polyester/nylon yarn, tyre-cord fabric, geo-synthetics and industrial fabrics; principal beneficiaries of MMF-focused PLI
Diversified / Brands	Raymond Lifestyle Siyaram Silk Mills Page Industries Vedant Fashions Kewal Kiran Clothing Lux Industries	Branded apparel/hosiery plays with domestic consumption skew rather than pure export exposure

(Source: Company, HDFC sec)

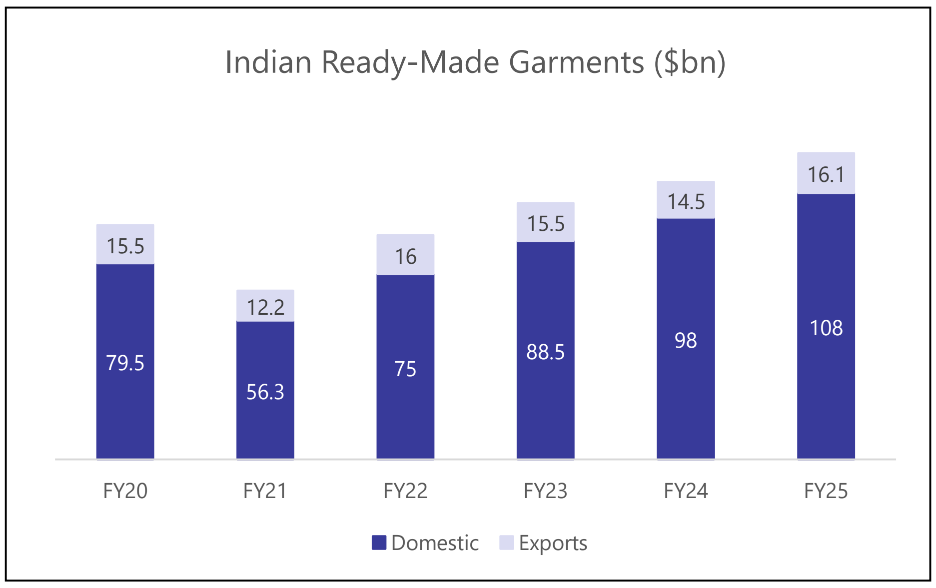
Focus Charts

Decreasing Share of Chinese exports leading to 'China+1'

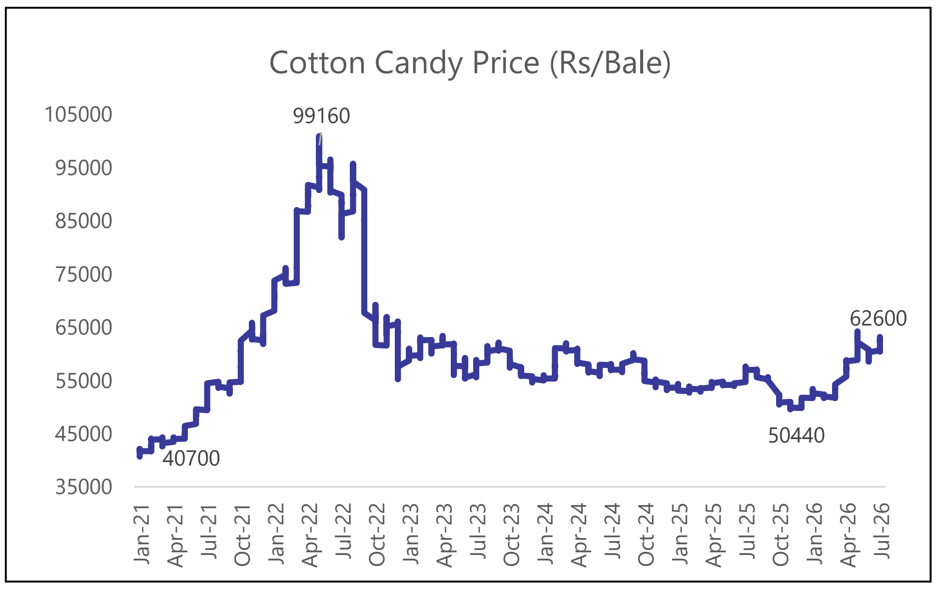
India's Textile & Apparel Export Composition by Category



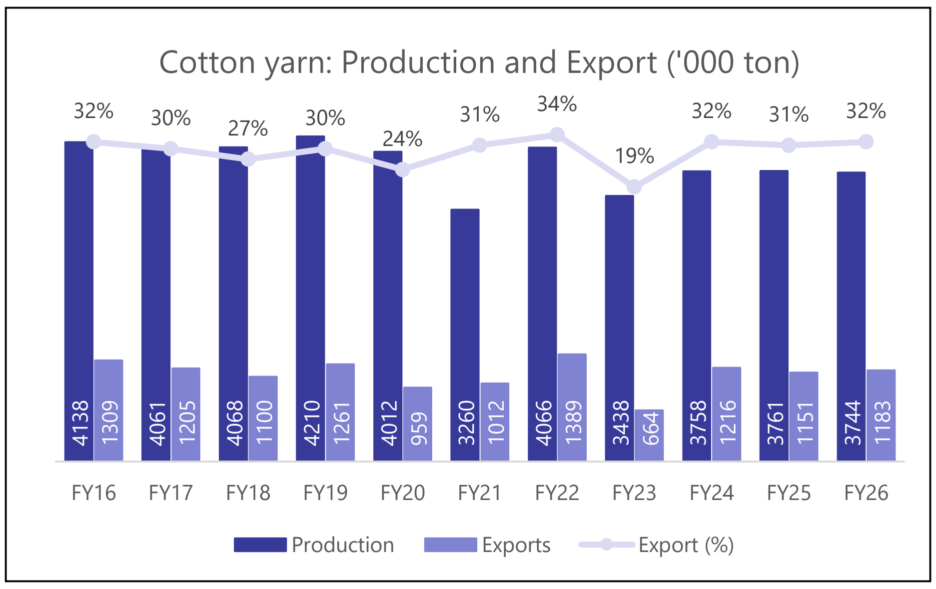
Garments Segment Continues to Deliver Robust Growth



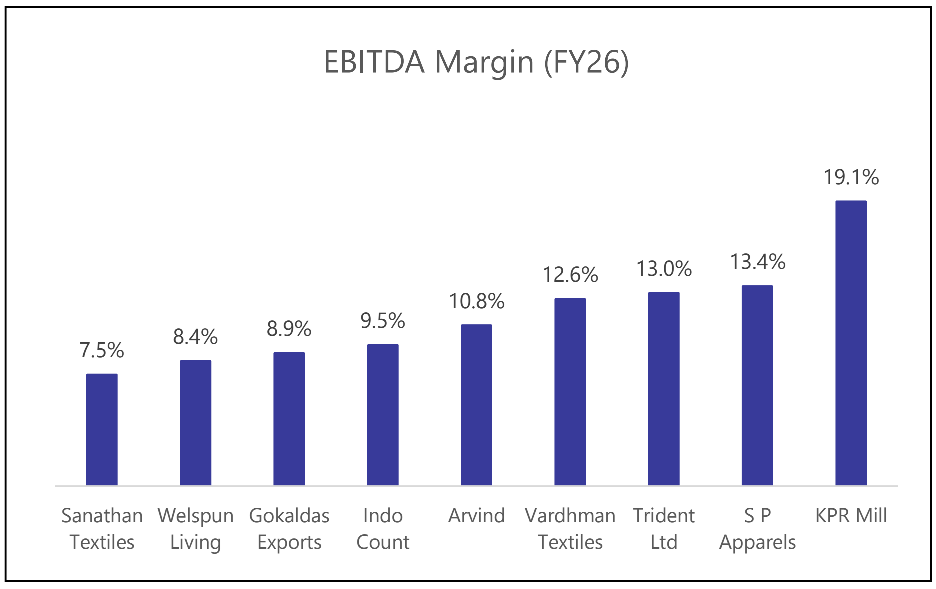
Cotton Prices have Stabilised post COVID surge



Yarn Spreads are Starting to Improve



Margin Poised for Structural Expansion



(Source: Company, HDFC sec)

COMPANIES

Arvind Ltd

Reco BUY

Industry	Textiles
LTP (Jul 24, 2026)	527
Entry Range	520-535
Add on Dips	475-490
Base Case Target	584
Bull Case Target	632
Time Horizon	4 Quarters

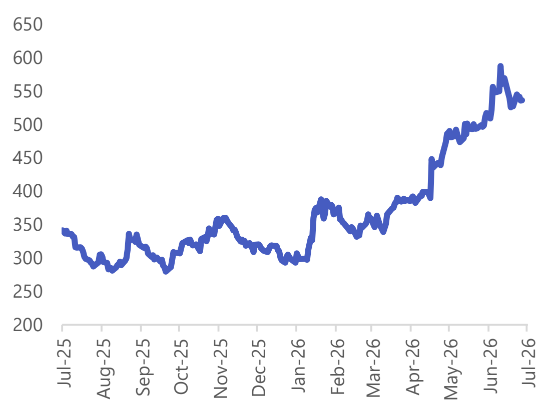
Stock Info

BSE Code	500101
NSE Code	ARVIND
Bloomberg	ARVND:IN
Equity Capital (Rs Cr)	262.1
Face Value (Rs)	10.0
Equity Share O/S (Cr)	26.2
Market Cap (Rs Cr)	13,834
Book Value (Rs)	154.0
Avg. 52 Wk Volumes	6,35,043
52 Week High	600
52 Week Low	275

Share Holding Pattern (%) (Jun'26)

Promoters	39.5
Institutions	36.4
Non-Institutions	24.1
Total	100.0

One Year Price Chart



* Refer at the end for explanation on Risk Ratings

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One of the Most Diversified Textile Platforms, Growth Driven by Garmenting and AMD

A manufacturing-to-retail conglomerate, Arvind Limited (Arvind) has built its legacy in the Indian textile industry over the last 9 decades. The company has a presence across the textile value chain, right from yarn to processed fabrics and garments. Arvind's key businesses include textiles, apparels, advanced materials, environmental solutions, telecom and omni-channel commerce. Arvind manufactured 59.5 mn meters of denim, 135.8 mn meters of woven and 41.6 mn pieces of garments across its 15 manufacturing facilities in FY26.

The company operates under 3 main segments: Textiles, Advanced Materials Division (AMD) and Others. Textiles contributed 73.4% of the company's revenues in FY26 whereas AMD's contribution stood at 18.9%. Exports contributed around 44% of the company's consolidated revenue in FY23.

Arvind has been one of the pioneers of the denim revolution in India since the early 1980s. The company is also one of the largest producers of cotton shirting fabrics in the country. Apart from traditional textile products, Arvind has also garnered significant traction in recent years in the production of technical textiles for human protection, advanced composites, filtration, technical yarns, coated products and automotive covers under its Advanced Materials Division (AMD). Arvind has also diversified into water treatment, industrial wastewater treatment, and sewage treatment solutions through its subsidiary Arvind Envisol Limited. The company's well-diversified yet complementary businesses and presence across the value chain provide it a unique advantage in the Indian textile manufacturing setup.

We believe investors can buy the stock in the Rs 520-535 band (16.5x FY29E EPS) and add on dips in Rs 475-490 band (15.0x FY29E EPS) for a base case fair value of Rs 584 (18.0x FY29E EPS) and bull case fair value of Rs 632 (19.5x FY29E EPS) over the next 4 quarters.

Our Take

Long Standing Legacy in Traditional Textiles

Arvind has built one of India's most integrated textile businesses, with leadership across woven fabrics, denim, and garments. The company is among the country's largest producers of denim and premium woven fabrics, supplying leading domestic and global apparel brands through a vertically integrated value chain spanning fabric manufacturing, processing, and garmenting.

While the Textile segment continues to drive the majority of the company's revenue, contributing ~73% in FY26, its salience has decreased from earlier (80%+ contribution in FY19). Following the impact of global trade disruptions in FY26, the demand for Textiles is expected to improve in FY27 as major sourcing destinations' demand normalises. Arvind exited FY26 with strong textile volumes, giving confidence of sustained growth momentum, going in to FY27.

Focus on Scaling up Garmenting

Arvind is increasingly positioning garmenting as a key growth driver, aiming to move further up the textile value chain and capture a larger share of value-added revenues. Over the past few years, the company has expanded garment manufacturing capacity across shirts, bottoms, and denim apparel while strengthening relationships with global apparel brands.

Management expects garmenting to outpace fabric growth over the medium term, supported by improving sourcing diversification toward India, higher capacity utilization, and increased demand for integrated manufacturing solutions. This strategy is expected to enhance margins, reduce earnings cyclicality, and deepen customer engagement through end-to-end product offerings. Garmenting is expected to deliver mid-teen growth in FY27 led by resilient demand and a healthy inquiry pipeline.

Advanced Materials to be the Major Growth Driver

Arvind is positioning its Advanced Materials (AMD) business as a key long-term growth engine, with management targeting high double-digit revenue growth driven by rising demand for specialized, high-performance materials across industrial applications. The company continues to invest in high-value segments such as composites, advanced non-wovens, technical textiles, protective materials, filtration media, and performance fabrics, where entry barriers and margins are significantly higher than traditional textiles. Increasing share of AMD, which commands a superior 15-17% EBITDA margin compared to traditional textiles (10-12%), is also expected to improve the company's consolidated EBITDA margins going forward.

Strengthening Global Capabilities through Dalco-GFT Acquisiton

Arvind's Dalco-GFT acquisition has further strengthened its global capabilities, technology portfolio, and presence in the North American market, accelerating its shift toward engineered materials. The deal provides Arvind direct access to an estimated US$2.5 billion addressable market in the United States.

Valuation & Recommendation

Arvind successfully navigated a challenging FY26 marked by global demand uncertainty, cautious customer spending, and temporary disruptions from a strike at one of its manufacturing facilities. Despite these headwinds, the company maintained operational stability through a diversified product portfolio, disciplined cost management, and resilient execution across businesses. It exited FY26 on a strong note, with healthy volume growth across woven fabrics, denim, garments, and Advanced Materials, reflecting a recovery in order flows and improving customer demand. Management believes the improving operating environment, coupled with its ongoing investments in value-added businesses, positions the company well for sustained growth in the coming years.

We expect growth normalisation in FY27, driven by improved sourcing from international markets, a healthy order book and a strong inquiry pipeline. We factor in revenue/EBITDA/PAT CAGR of 12.7%/17.3%/28.7% between FY26-29E, driven by robust volumes, sustained growth in the high-margin AMD business and a favourable mix driving margin expansion.

We believe investors can buy the stock in the Rs 520-535 band (16.5x FY29E EPS) and add on dips in Rs 475-490 band (15.0x FY29E EPS) for a base case fair value of Rs 584 (18.0x FY29E EPS) and bull case fair value of Rs 632 (19.5x FY29E EPS) over the next 4 quarters.

Financial Summary

Particulars (in Rs Cr)	Q4FY26	Q4FY25	YoY-%	Q3FY26	QoQ-%	FY24	FY25	FY26	FY27E	FY28E	FY29E
Operating Income	2,553	2,221	15.0%	2,373	7.6%	7,738	8,329	9,303	10,579	12,051	13,304
EBITDA	306	246	24.7%	274	11.8%	845	853	1,004	1,164	1,398	1,623
APAT	160	151	5.7%	98	63.7%	337	353	414	551	714	851
Diluted EPS (Rs)	6.1	5.8	5.9%	3.7	64.0%	12.9	13.5	15.8	21.0	27.2	32.4
RoE-%						9.8	9.6	10.6	13.0	15.1	16.0
P/E (x)						41.0	39.1	33.4	25.1	19.4	16.2
EV/EBITDA (x)						18.0	18.0	15.1	13.3	11.0	9.2

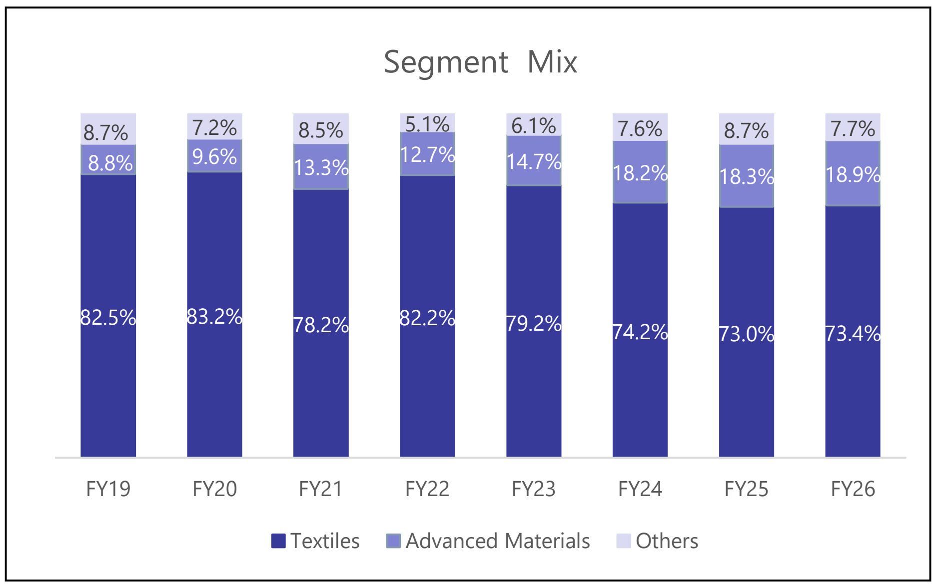
Segment Mix

Segment Mix	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Revenue (in Rs Cr)												
Textiles	1,418	1,455	1,426	1,504	1,350	1,633	1,577	1,614	1,536	1,803	1,831	1,977
% of net sales	*75.6%*	*74.8%*	*74.7%*	*71.8%*	*73.0%*	*73.9%*	*74.0%*	*71.2%*	*75.4%*	*74.1%*	*72.5%*	*72.1%*
Advanced Materials	342	354	345	387	329	388	376	451	351	446	496	546
% of net sales	*18.2%*	*18.2%*	*18.1%*	*18.4%*	*17.8%*	*17.6%*	*17.7%*	*19.9%*	*17.2%*	*18.3%*	*19.6%*	*19.9%*
Others	115	135	139	205	172	188	177	201	150	185	200	219
% of net sales	*6.1%*	*7.0%*	*7.3%*	*9.8%*	*9.3%*	*8.5%*	*8.3%*	*8.9%*	*7.3%*	*7.6%*	*7.9%*	*8.0%*
EBIT (in Rs Cr)												
Textiles	93	119	121	129	52	125	132	132	78	128	124	165
EBIT Margin	*6.6%*	*8.2%*	*8.5%*	*8.6%*	*3.8%*	*7.6%*	*8.4%*	*8.2%*	*5.1%*	*28.6%*	*24.9%*	*30.3%*
Advanced Materials	45	47	46	56	41	54	53	62	38	57	70	86
EBIT Margin	*13.2%*	*13.3%*	*13.3%*	*14.6%*	*12.4%*	*13.8%*	*14.0%*	*13.7%*	*10.8%*	*12.8%*	*14.1%*	*15.7%*
Others	0	1	3	9	3	0	10	17	-5	14	7	16
EBIT Margin	*0.1%*	*0.9%*	*1.9%*	*4.3%*	*1.8%*	*-0.2%*	*5.6%*	*8.2%*	*-3.1%*	*3.1%*	*1.5%*	*2.9%*

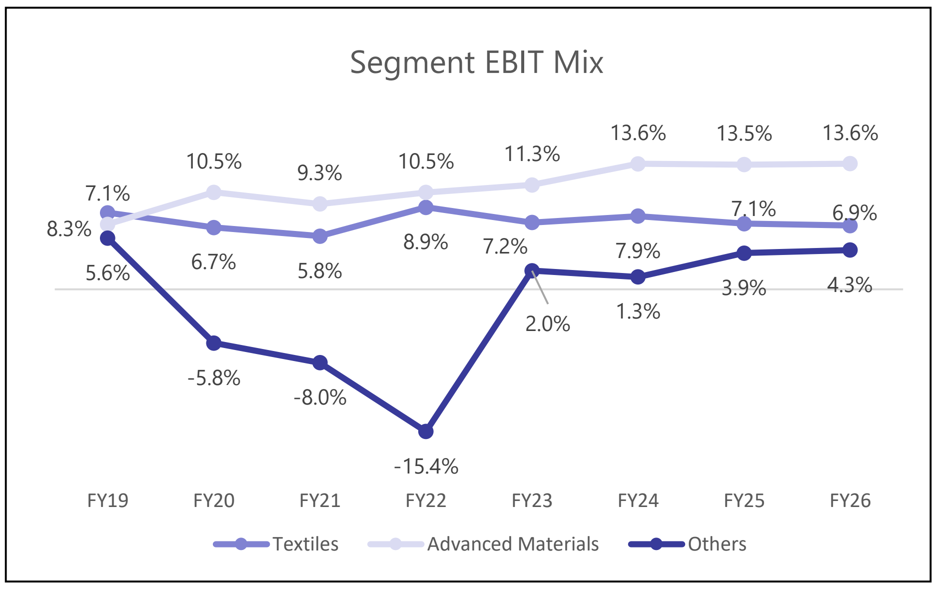
(Source: Company, HDFC sec)

Story in Charts

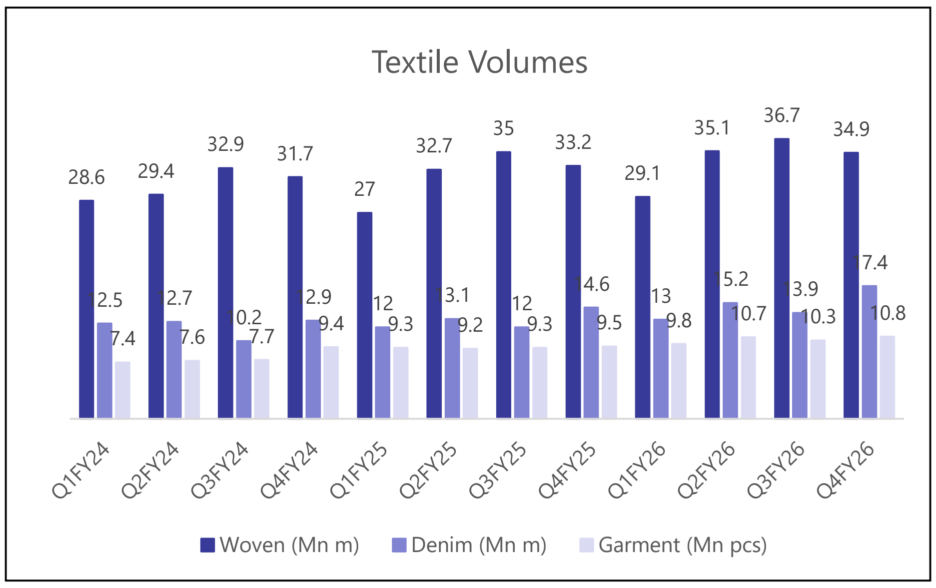
Focus on increasing the share of AMD for future growth



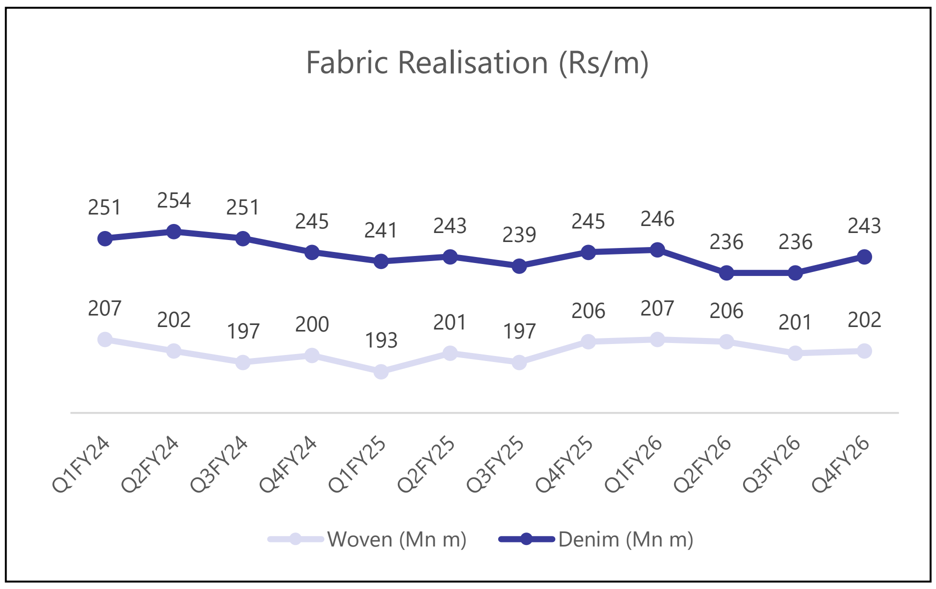
High return AMD business to also augment margin profile



Green-shoots visible in textile volumes



Realizations from denim and woven expected to improve from hereon



(Source: Company, HDFC sec)

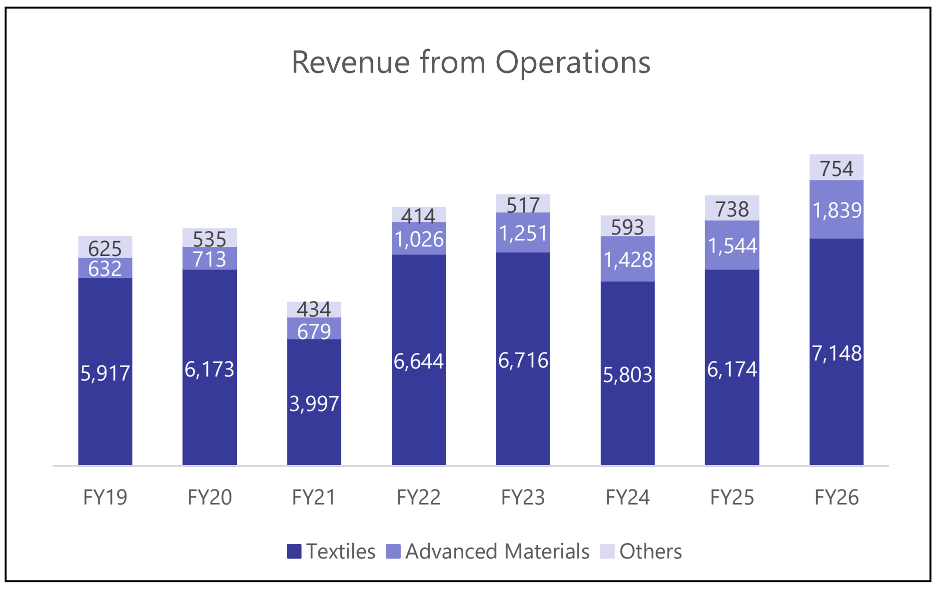
Legacy of more than 9 decades across textiles value chain

Key Rationale

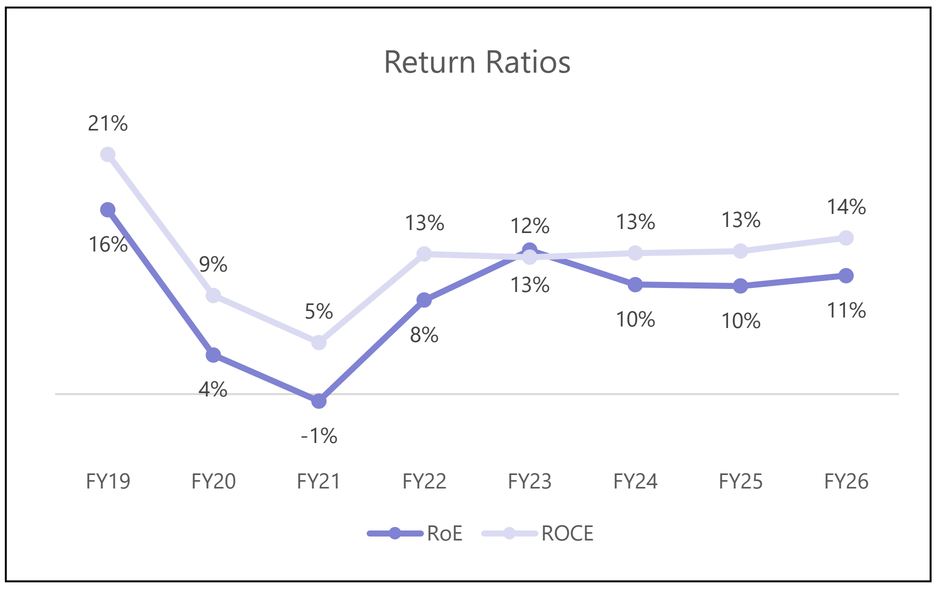
A Legacy in the Indian Textile Value Chain

- A textile to retail conglomerate, Arvind has built a legacy of more than 9 decades across the value chain in the Indian textile industry. Arvind focuses on textiles, apparels, advanced materials, environmental solutions, telecom and omni-channel commerce.
- The company has vertically integrated itself with manufacturing presence right from cotton yarn to processed fabrics and to garments. Within fabric, Denim is one of the company's heritage offering. Arvind has been one of the pioneers of the denim revolution in India since the early 1980s. The company is also one of the largest producers of cotton shirting fabrics in the country.
- Apart from traditional textile products, Arvind has also garnered significant traction in recent years in the production of technical textiles for human protection, advanced composites, filtration, technical yarns, coated products and automotive covers under its Advanced Materials Division (AMD).
- Arvind has also diversified into water treatment, industrial wastewater treatment, and sewage treatment solutions through its subsidiary Arvind Envisol Limited. The company's well-diversified yet complementary businesses and presence across the value chain provide it a unique advantage in the Indian textile manufacturing setup.

Growing AMD segment with a strong foothold in textiles



Diversification in complimentary businesses improving return ratios



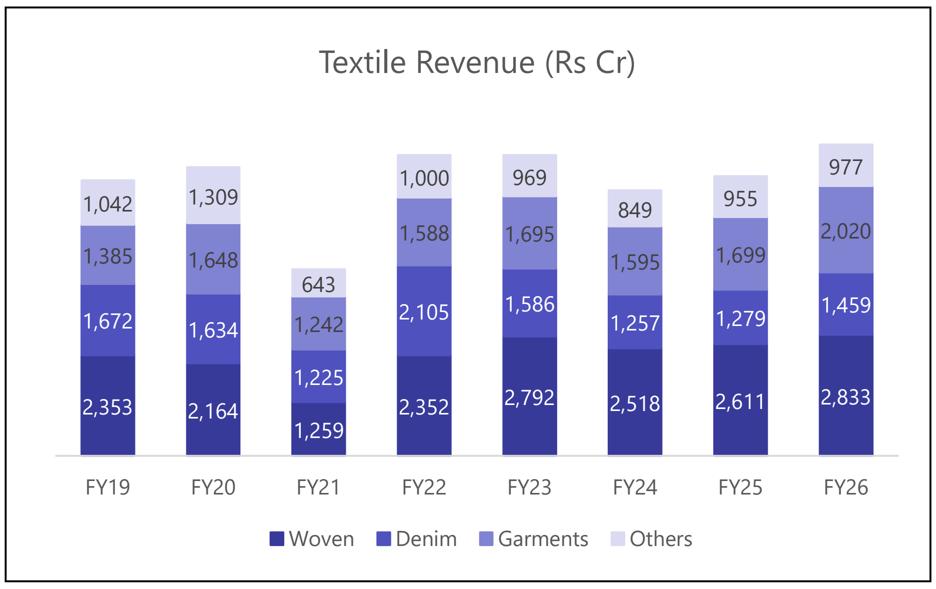
(Source: Company, HDFC sec.)

Acceleration in Garmenting Puts the Textile Segment on a Steady Footing

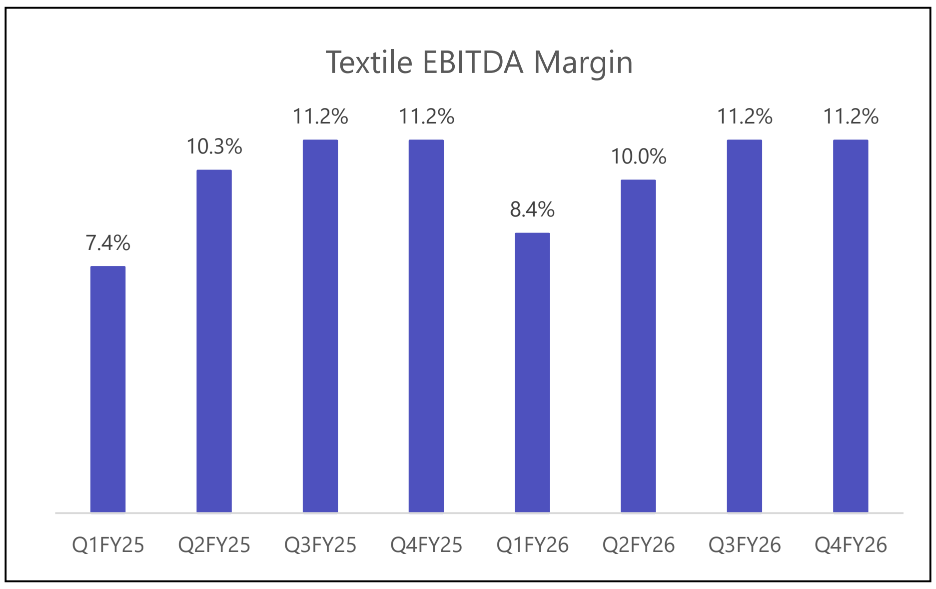
Demand revival and garmenting acceleration driving textiles division

- The global demand for textiles has been impacted over the past 2 years on account of high inflation in buying countries, geopolitical headwinds and high inventory levels with retailers over the last couple of years.
- While H1FY26 saw a peak soft demand phase due to high inflation and geopolitical tension across the world, Q4FY26 saw a gradual revival in demand. With the inventory correction phase behind the company and brands gearing up for growth, there are green-shoots emerging across categories in the segment.
- As a result, despite the demand headwinds and high cotton candy prices keeping the average realisations subdued, the textile division rebounded in Q4FY26, registering a strong 22.5% YoY value growth during the quarter driven by volume growth across products (woven, denim and garments).
- EBITDA margin for the segment improved by ~120 bps over the past 2 quarters after reaching a trough at 10.0% in Q2FY26. The company reported robust volume growth in demin at 19% YoY combined with a strong 21% value growth in garmenting, driving improved margins.
- While woven and denim are expected to grow in line with the country's GDP growth, the higher-contribution garments division remains a key focus area for the management and is expected to drive growth for the textiles division, going forward.
- Improving operational efficiencies and a healthy garment order book puts the textile division on a strong footing.

Revival in demand and focus on garments to drive future growth



Textile margins seems to have troughed out



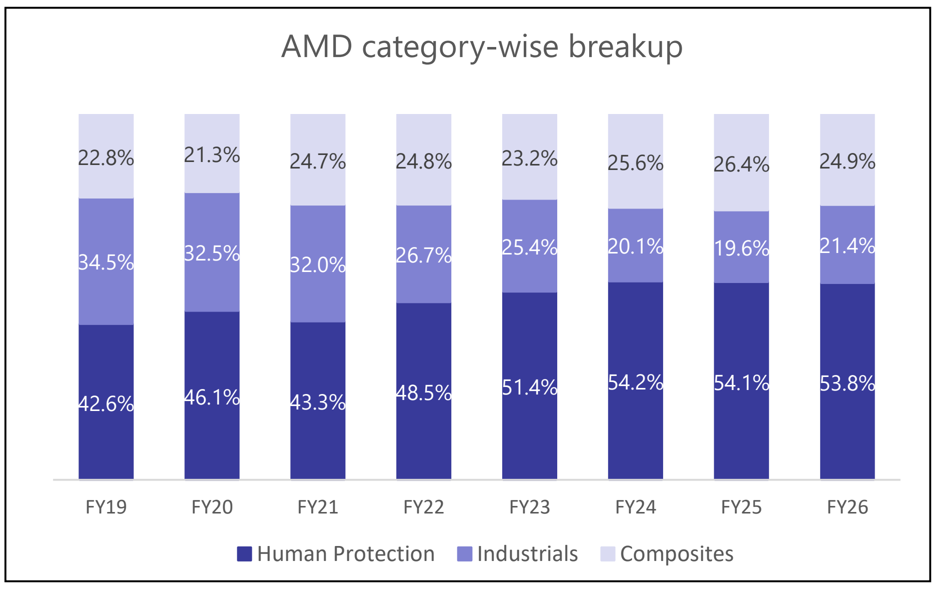
(Source: Company, HDFC sec.)

Advanced Materials Division Firing on Full Throttle

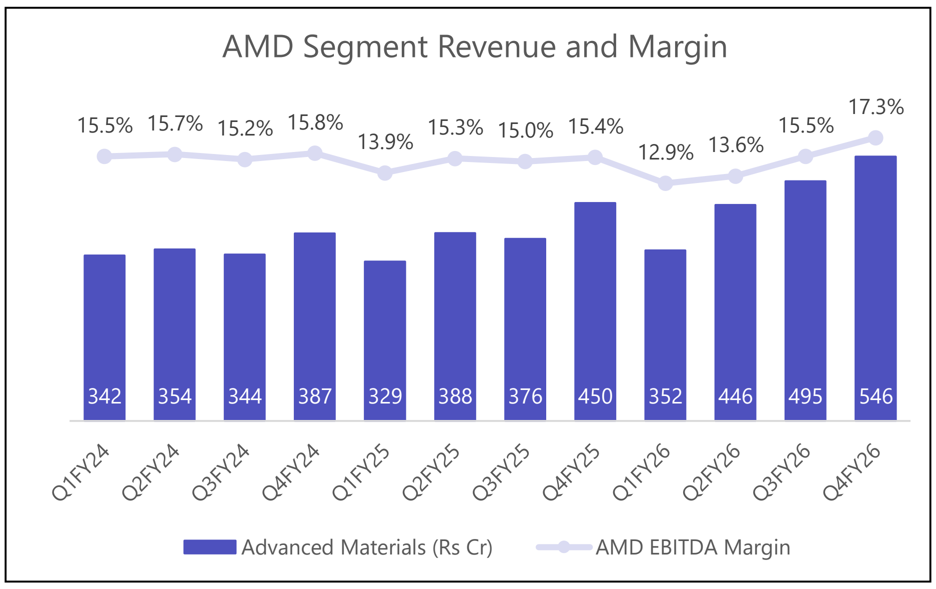
Advanced Materials remains the key growth engine

- Over the last 3–4 years, Arvind has steadily transformed its Advanced Materials business from a niche technical textiles operation into a diversified engineered materials platform serving ***human protection, composites and industrial applications***. The segment caters to high-growth end-markets such as defence, infrastructure, renewable energy, transportation, filtration, telecom and industrial safety, reducing dependence on cyclical apparel demand.
- The segment has scaled rapidly through product innovation, capacity additions and acquisitions. Revenue has grown at a 22.0% CAGR between FY21-26, while maintaining healthy EBITDA margins of 13–16%, supported by increasing contribution from value-added products such as flame-resistant protective wear, glass and carbon fibre composites, filtration media and industrial fabrics.
- Advanced Materials was the fastest-growing segment in FY26, growing by 19.1% YoY, aided by strong demand across defence, composites, filtration, industrial safety and mobility applications. The segment achieved record annual performance and is increasingly becoming a key growth engine for the company.
- The segment reported its highest quarterly EBITDA margins in Q4FY26, crossing 17% and expanding by 200 bps YoY, driven by favourable product mix, operating leverage & reversal of earlier expense provisions (including tariff) made during the previous quarter of FY26.
- Growth in Human Protection in revenue and margin is driven by value-added product mix, healthy order book in defence and strong customer execution. Continued momentum in defence orders and favourable mix are expected to remain key drivers, going into FY27.
- Industrials too witnessed robust volume growth and improved product mix across portfolio in Q4FY26, which supported better utilization and healthy margins. The category continues to witness improved demand in the non-woven segment and in the belting reinforcement business.
- Composites revenue growth of 13.9% YoY in Q4FY26 was mainly driven by volume growth in Glass fabrics business. Increased pultrusion volumes in US market, revival of glass fabric demand across European & US markets remain key drivers.

Strong defence led orders in Human Protection driving growth



Margins improvement led by healthy volumes and favourable mix



(Source: Company, HDFC sec.)

Consistent Capex Driving Growth

- Arvind has steadily invested Rs 350–500 crores annually in growth capex, focusing on expanding textile manufacturing, garmenting capacity, and its Advanced Materials business, while funding most of these investments through internal cash generation rather than increasing leverage.
- Recent investments have been directed toward garment capacity expansion, fabric processing modernisation, denim and woven fabric efficiency improvements, and Advanced Materials (composites, technical textiles, and high-performance materials). These projects aim to increase value-added products and improve operating margins.
- The company invested Rs 486 crores of the planned Rs 400-450 crores of FY26 capex and has reiterated its plans to invest ***Rs 450-500 crores*** across Garmenting and Advanced Materials.

- In FY26, the management temporarily deferred some discretionary projects amid uncertainty around global tariffs; it continued all strategic capacity expansion projects and later resumed the delayed investments once conditions stabilised.
- Management has emphasized that its capex program remains within the company's free cash flow envelope, while simultaneously reducing net debt and targeting ROCE above 20% over the medium term, reflecting a strategy of balancing growth with financial discipline.
- Going forward, Arvind plans to continue investing in capacity additions across textiles and garmenting, expansion of the Advanced Materials business, productivity-enhancing automation, and sustainability initiatives. The company has indicated that non-essential capex may be paced depending on global demand and trade conditions, but strategic growth investments remain intact.

Strengthening the Advanced Materials Platform through Dalco-GFT Acquisition

- In May 2026, Arvind's wholly owned subsidiary, Arvind Advanced Materials Ltd. (AAML), acquired a 61% controlling stake in Dalco-GFT, a US-based manufacturer of specialized needle-punched non-woven fabrics, at an enterprise value of US$136 mn.
- The transaction was valued at 7.75x CY25 EV/EBITDA, with AAML retaining an option to acquire the remaining stake from rollover shareholders over the next four years. The acquisition is debt-funded initially and is expected to be EPS- and margin-accretive from Year 1.
- The acquisition significantly strengthens Arvind's Advanced Materials platform by adding its first overseas manufacturing footprint and expanding its portfolio beyond India. ***Dalco-GFT manufactures engineered non-woven materials used in automotive, filtration, industrial, and specialty applications***, complementing AAML's existing composites, protective textiles, and high-performance materials business. It also enhances Arvind's technical capabilities and customer relationships in high-value industrial segments.
- The deal provides Arvind direct access to an estimated US$2.5 bn addressable market in the United States. Manufacturing locally enables the company to better serve North American customers, shorten lead times, diversify geographically, and reduce dependence on exports from India while strengthening relationships with global OEMs.
- Management expects meaningful revenue and cost synergies through technology sharing, cross-selling opportunities, product innovation, and expansion into adjacent industrial applications.
- The acquisition marks Arvind's transition toward a higher-margin, less cyclical engineered materials business. While leverage has increased due to acquisition financing, management plans to deleverage over the medium term through strong cash generation while continuing to invest in expanding Advanced Materials.

Risks & Concerns

- **Weak Global Apparel Demand and Export Slowdown:** A prolonged slowdown in discretionary consumer spending in key markets such as the US and Europe, inventory corrections by global apparel brands, or reduced sourcing activity could adversely impact order inflows, capacity utilization, and operating margins.
- **Raw Material Price Volatility:** High exposure to extreme price volatility in cotton/yarn (global commodity) and unfavourable trade policies (e.g., duties, quotas) from key importing nations (US, EU). While the company attempts to pass on cost increases through price revisions, there is typically a lag, particularly during periods of weak demand, leading to margin pressure.
- **Intensifying Competition and Pricing Pressure:** The global textile industry remains highly competitive, with manufacturers from countries such as Bangladesh, Vietnam, China, and Pakistan competing on cost, scale, and delivery timelines. Increased pricing pressure from global customers or aggressive competition from low-cost sourcing destinations could impact Arvind's market share and profitability, particularly in commoditised textile segments.
- **Currency Risk:** A significant portion of its revenue comes from exports. Realizations are vulnerable to unfavorable foreign currency movements (e.g., Rupee appreciation), which directly impacts export competitiveness and operating margins.

Company Description

Arvind Ltd (Arvind) is one of India's leading integrated textile manufacturers with a presence across the textile value chain, spanning spinning, weaving, processing, garment manufacturing, and advanced materials. Established in 1931, the company has built strong manufacturing capabilities across denim, woven fabrics, knits, and garments, supported by vertically integrated facilities that provide operational flexibility, cost efficiencies, and stringent quality control. Arvind is among the world's largest denim manufacturers and has long-standing relationships with several global apparel brands and retailers. International markets account for a meaningful share of the company's revenues, with exports spanning North America, Europe, Asia, and other key textile sourcing markets.

The company's operations are organized across three key business segments: Textiles, Advanced Materials, and Others. The Textiles segment, which contributes the majority of revenues and earnings, comprises denim, woven fabrics, garments, and fabric brands, serving both domestic and export markets. The Advanced Materials division manufactures high-performance technical textiles catering to human protection, industrial applications, automotive, composites, and infrastructure sectors, providing exposure to structurally higher-growth and higher-value end markets. The company has also undertaken selective diversification into engineering and environmental solutions through its subsidiaries, although these businesses remain relatively small compared to its core textile operations.

Financial Statements

Income Statement

Particulars (in Rs Cr)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net Revenues	**7,738**	**8,329**	**9,303**	**10,579**	**12,051**	**13,304**
Growth (%)	***-7.7***	***7.6***	***11.7***	***13.7***	***13.9***	***10.4***
Operating Expenses	6,893	7,475	8,299	9,416	10,653	11,681
EBITDA	**845**	**853**	**1,004**	**1,164**	**1,398**	**1,623**
Growth (%)	***5.7***	***1.0***	***17.7***	***15.9***	***20.1***	***16.1***
EBITDA Margin (%)	***10.9***	***10.2***	***10.8***	***11.0***	***11.6***	***12.2***
Depreciation	266	259	290	321	347	388
Other Income	41	65	56	79	90	100
EBIT	**620**	**660**	**770**	**923**	**1,141**	**1,335**
Interest expenses	159	166	165	174	179	183
PBT	**463**	**494**	**588**	**748**	**962**	**1,153**
Tax	111	125	168	189	242	290
PAT	**353**	**369**	**420**	**560**	**720**	**862**
Share of Asso./Minority Int.	-16	-15	-6	-13	-18	-28
Adj. PAT	**337**	**353**	**414**	**547**	**702**	**834**
Growth (%)	**-16.8**	**5.0**	**17.1**	**32.1**	**28.3**	**18.9**
EPS	12.9	13.5	15.8	20.9	26.8	31.8

Balance Sheet

Particulars (in Rs Cr) - As at March	FY24	FY25	FY26	FY27E	FY28E	FY29E
SOURCE OF FUNDS						
Share Capital	262	262	262	262	262	262
Reserves	3,281	3,524	3,782	4,185	4,703	5,327
Shareholders' Funds	**3,543**	**3,786**	**4,044**	**4,447**	**4,965**	**5,589**
Minority Interest	78	85	97	112	132	162
Total Debt	1,448	1,562	1,660	1,660	1,660	1,660
Other Non-Curr. Liab	112	149	247	199	249	293
Net Deferred Taxes	68	125	98	98	98	98
Total Sources of Funds	**5,249**	**5,708**	**6,146**	**6,515**	**7,103**	**7,802**
APPLICATION OF FUNDS						
Net Block & Goodwill	3,234	3,455	3,878	4,057	4,210	4,322
CWIP	117	409	121	121	121	121
Investments	355	274	384	384	384	384
Other Non-Curr. Assets	89	191	237	354	404	446
Total Non-Current Assets	**3,795**	**4,328**	**4,621**	**4,917**	**5,119**	**5,274**
Inventories	1,986	2,138	2,174	2,464	2,806	3,098
Debtors	1,070	1,177	1,444	1,449	1,651	1,823
Cash & Equivalents	57	56	88	82	95	445
Other Current Assets	352	400	511	581	661	730
Total Current Assets	**3,465**	**3,771**	**4,216**	**4,575**	**5,213**	**6,096**
Creditors	1,375	1,655	1,973	2,174	2,311	2,552
Other Current Liab & Provisions	636	736	718	803	918	1,017
Total Current Liabilities	**2,011**	**2,391**	**2,691**	**2,977**	**3,229**	**3,568**
Net Current Assets	1,454	1,380	1,525	1,598	1,984	2,528
Total Application of Funds	**5,249**	**5,708**	**6,146**	**6,515**	**7,103**	**7,802**

Cash Flow Statement

Particulars (in Rs Cr)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Reported PBT	353	367	427	750	964	1,155
Non-operating & EO items	147	119	124	-159	-7	-6
Interest Expenses	159	166	165	174	179	183
Depreciation	266	259	290	321	347	388
Working Capital Change	-94	-51	19	-85	-365	-186
Tax Paid	-134	-97	-158	-189	-242	-290
OPERATING CASH FLOW (a)	**696**	**763**	**867**	**812**	**876**	**1,243**
Capex	-253	-483	-486	-500	-500	-500
Free Cash Flow	443	280	381	312	376	743
Investments	-29	-30	-128	0	0	0
Non-operating income	5	9	7	0	0	0
INVESTING CASH FLOW (b)	**-277**	**-504**	**-607**	**-500**	**-500**	**-500**
Debt Issuance / (Repaid)	-114	6	13	0	0	0
Interest Expenses	-151	-149	-147	-174	-179	-183
FCFE	155	116	126	138	197	560
Share Capital Issuance	0	2	7	0	0	0
Dividend	-154	-130	-104	-144	-184	-210
Others	0	0	3	0	0	0
FINANCING CASH FLOW (c)	**-419**	**-271**	**-228**	**-318**	**-363**	**-392**
NET CASH FLOW (a+b+c)	**1**	**-12**	**32**	**-6**	**13**	**351**

Key Ratios

Particulars	FY24	FY25	FY26	FY27E	FY28E	FY29E
Profitability Ratios (%)						
EBITDA Margin	10.9	10.2	10.8	11.0	11.6	12.2
EBIT Margin	8.0	7.9	8.3	8.7	9.5	10.0
APAT Margin	4.4	4.2	4.4	5.2	5.8	6.3
RoE	9.8	9.6	10.6	12.9	14.9	15.8
RoCE	12.6	12.8	13.9	15.6	17.9	19.2
Solvency Ratio (x)						
Net Debt/EBITDA	1.6	1.8	1.6	1.4	1.1	0.7
Net D/E	0.4	0.4	0.4	0.4	0.3	0.2
PER SHARE DATA (Rs)						
EPS	12.9	13.5	15.8	20.9	26.8	31.8
CEPS	23.0	23.4	26.9	33.1	40.0	46.6
BV	135.3	144.5	154.3	169.6	189.4	213.2
Dividend	4.8	3.8	4.5	5.5	7.0	8.0
Turnover Ratios (days)						
Debtor days	48	49	51	50	47	48
Inventory days	86	90	85	80	80	81
Creditors days	62	66	71	72	68	67
Valuation (X)						
P/E	41.0	39.1	33.4	25.3	19.7	16.6
P/BV	3.9	3.6	3.4	3.1	2.8	2.5
EV/EBITDA	18.0	18.0	15.1	13.0	10.8	9.1
EV / Revenues	2.0	1.8	1.6	1.4	1.3	1.1
Dividend Yield (%)	0.9	0.7	0.9	1.0	1.3	1.5
Dividend Payout (%)	36.9	27.8	28.5	26.4	26.2	25.1

(Source: Company, HDFC sec.)

K.P.R. Mill Ltd

Reco BUY

Industry	Textiles
LTP (Jul 24, 2026)	1,061
Entry Range	1,045-1,075
Add on Dips	955-980
Base Case Target	1,174
Bull Case Target	1,267
Time Horizon	4 Quarters

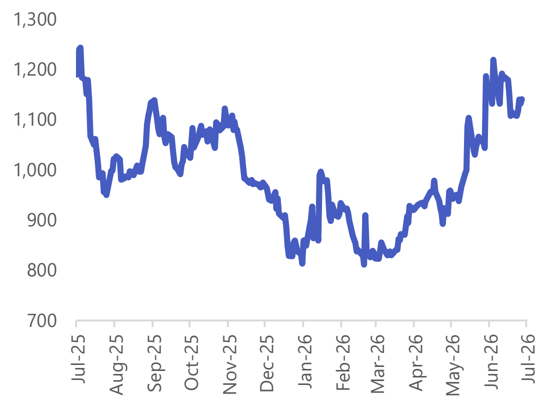
Stock Info

BSE Code	532889
NSE Code	KPRMILL
Bloomberg	KPR:IN
Equity Capital (Rs Cr)	34.2
Face Value (Rs)	1.0
Equity Share O/S (Cr)	34.2
Market Cap (Rs Cr)	36,280
Book Value (Rs)	167.0
Avg. 52 Wk Volumes	5,14,611
52 Week High	1,334
52 Week Low	796

Share Holding Pattern (%) (Jun'26)

Promoters	67.5
Institutions	26.3
Non-Institutions	6.2
Total	100.0

One Year Price Chart



* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst

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A Fully Integrated Business Model Driving Cost Efficiencies and Margin Superiority

K.P.R. Mill Ltd (KPR) is at an inflexion point driven by two structural catalysts that are exogenous to the company's own execution: (1) the India-EU Free Trade Agreement (signed January 2026) and the India-UK Comprehensive Economic and Trade Agreement (effective July 15, 2026) together eliminate the 10–12% tariff wall that Indian textile exporters have faced on apparel into Europe and the UK, creating immediate price parity with Bangladesh and Vietnam. With ~58% of KPR's garment revenues from European markets — the highest EU-revenue exposure among any listed Indian textile company — KPR is the single largest direct beneficiary of this structural shift. (2) The China+1 sourcing diversification among global retailers continues to accelerate, with India emerging as the preferred alternative given its cotton availability, skilled labour base, and improving compliance credentials.

KPR's integrated business model spanning spinning, knitting, processing, garmenting, and co-generation provides 2 unique advantages, differentiating it from other pure-play garment manufacturers. KPR's Garment division (45.1% of FY26 revenue) remains its primary growth engine, with the company steadily shifting its revenue and profit mix towards value-added apparel from the more cyclical yarn business. Sugar and Ethanol businesses provide meaningful diversification from textiles, and an upcycle in these could aid additional revenue and profitability growth. KPR's return ratios continue to remain best in class owing to its cost advantages from its fully integrated operations.

We believe investors can buy the stock in the Rs 1045-1075 band (28.5x FY29E EPS) and add on dips in Rs 955-980 band (26.0x FY29E EPS) for a base case fair value of Rs 1174 (31.5x FY29E EPS) and bull case fair value of Rs 1267 (34.0x FY29E EPS) over the next 4 quarters.

Our Take

Integrated Value Chain Driving Sustainable Margin Leadership

KPR Mill's fully integrated business model is one of its most significant competitive strengths, enabling it to control the entire textile value chain—from spinning and knitting to fabric processing, garment manufacturing, and retail. This end-to-end integration minimises dependence on third-party suppliers, reduces logistics and procurement costs, and ensures better quality control across every stage of production.

As a result, KPR is able to generate higher value addition than companies operating only in individual segments of the textile chain. The integrated structure also provides KPR with a distinct margin advantage by improving operational efficiency and enhancing flexibility in responding to customer demand. Internal sourcing of yarn and fabrics lowers input cost volatility, while streamlined production cycles reduce lead times and inventory requirements.

Volume, Mix, and the FTA-Led Growth in the Garments Segment

KPR's Garment division, one of the most important businesses in the portfolio, is a segment where the long-term thesis is most clearly playing out. Garment volumes grew from 152.0 mn pieces in FY24 to 173.6 mn in FY25 to 181.5 mn in FY26 — a consistent ramp against a capacity of 204 million pieces per annum. Revenue realisation per piece has remained relatively modest at Rs 160–180 per piece given KPR's knitwear specialisation, but EBITDA margins on the garment business are structurally superior to peers because every rupee of raw material goes through KPR's own spinning, knitting, dyeing, and processing chain.

KPR's garment division is well positioned to capitalize on India's growing competitiveness as a global apparel sourcing destination. With its large-scale manufacturing capabilities, integrated operations, and established relationships with global apparel brands, KPR is well placed to capture incremental export demand.

Sugar and Ethanol: Strategic Growth Drivers

KPR's sugar and ethanol businesses play a strategically important role by diversifying its revenue base beyond textiles while creating long-term value from its integrated agro-processing operations. The company utilises sugarcane to produce sugar and converts molasses into ethanol, allowing it to maximise value extraction from the same raw material and improve overall resource efficiency.

The ethanol business, in particular, offers a stable and attractive earnings stream, supported by India's ethanol blending program and steady demand from oil marketing companies. Together, the sugar and ethanol segments provide KPR with greater earnings resilience, reduce dependence on the cyclical textile industry, and strengthen cash flow generation over the long term.

Valuation & Recommendation

KPR delivered a resilient FY26 performance, amidst a volatile global textile environment, marked by trade tensions, policy fluctuations, and tariff pressures. Realisation pressures led to 1.4% YoY decline in Yarn and Cotton sales, but this was offset by KPR's primary, Garment segment (~45% of revenue), which delivered volume/value growth of 4.5%/8.7%. Encouragingly, KPR exited FY26 reporting its highest-ever quarterly revenue in Q4FY26 and an EBITDA margin expansion of 71 bps YoY during the quarter.

The FTA-driven tariff elimination on EU and UK market access (KPR's largest export geography at ~58% of garment revenues), the Odisha capacity expansion providing the next volume leg, and a pristine balance sheet that funds growth without equity dilution are key growth drivers in the near term. We expect a meaningful improvement in garment realisations to support volume growth recovery in the segment as India's exports become more competitive vis-à-vis Bangladesh and Vietnam in key export markets as India-UK FTA benefits start accruing in H2FY27. We expect revenue/EBITDA/PAT CAGR of 10.2%/13.9%/13.7% between FY26-29E.

We believe investors can buy the stock in the Rs 1045-1075 band (28.5x FY29E EPS) and add on dips in Rs 955-980 band (26.0x FY29E EPS) for a base case fair value of Rs 1174 (31.5x FY29E EPS) and bull case fair value of Rs 1267 (34.0x FY29E EPS) over the next 4 quarters.

Financial Summary

Particulars (in Rs Cr)	Q4FY26	Q4FY25	YoY-%	Q3FY26	QoQ-%	FY24	FY25	FY26	FY27E	FY28E	FY29E
Operating Income	1,785	1,769	0.9%	1,467	21.6%	6,060	6,388	6,650	7,353	7,974	8,880
EBITDA	348	333	4.7%	295	18.3%	1,237	1,246	1,267	1,448	1,639	1,874
APAT	227	205	11.1%	209	8.9%	805	815	866	956	1,090	1,274
Diluted EPS (Rs)	6.7	6.0	11.2%	6.1	9.0%	23.6	23.8	25.4	28.0	31.9	37.3
RoE-%						20.0	17.4	16.2	15.7	15.8	16.2
P/E (x)						45.1	44.5	41.9	38.0	33.3	28.5
EV/EBITDA (x)						30.2	29.2	29.0	25.2	21.9	18.9

(Source: Company, HDFC sec)

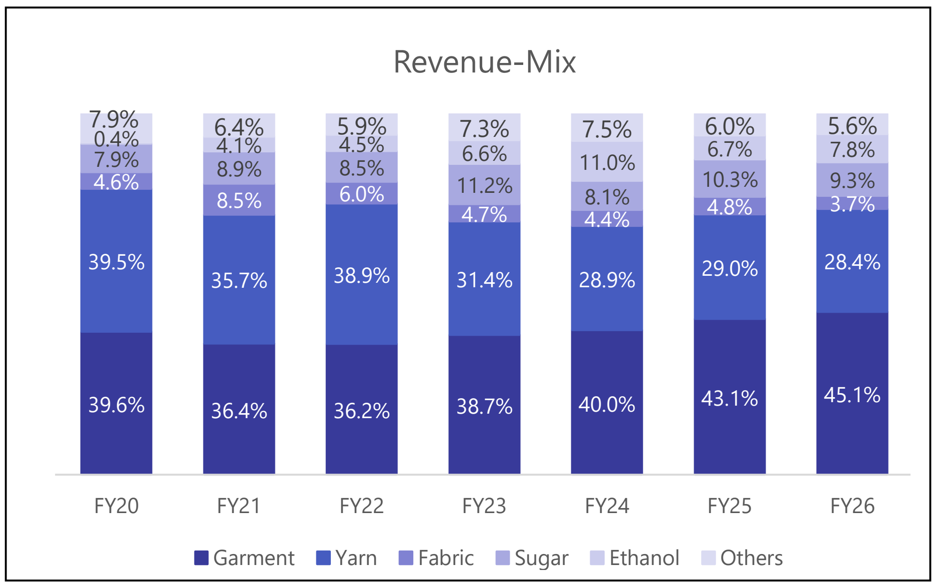
Segment Mix

Segment Mix	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Revenue (in Rs Cr)												
Textile	1,209	1,111	1,000	1,394	1,321	1,215	1,222	1,427	1,484	1,268	1,239	1,445
% of net sales	*75.0%*	*73.5%*	*80.5%*	*82.2%*	*82.1%*	*82.1%*	*79.9%*	*80.6%*	*84.0%*	*77.7%*	*83.6%*	*79.7%*
Sugar	366	369	212	279	266	249	282	318	260	344	221	348
% of net sales	*22.7%*	*24.4%*	*17.1%*	*16.5%*	*16.5%*	*16.8%*	*18.5%*	*18.0%*	*14.7%*	*21.1%*	*14.9%*	*19.2%*
Others	36	31	30	23	23	16	25	25	22	20	22	19
% of net sales	*2.3%*	*2.0%*	*2.4%*	*1.4%*	*1.4%*	*1.1%*	*1.6%*	*1.4%*	*1.3%*	*1.2%*	*1.5%*	*1.1%*
EBIT (in Rs Cr)												
Textile	188	179	169	216	258	251	230	241	256	239	218	239
EBIT Margin	*15.6%*	*16.1%*	*16.9%*	*15.5%*	*19.6%*	*20.6%*	*18.8%*	*16.9%*	*17.2%*	*18.8%*	*17.6%*	*16.6%*
Sugar	97	72	53	69	5	-6	19	39	1	20	21	54
EBIT Margin	*8.0%*	*6.5%*	*5.3%*	*4.9%*	*0.4%*	*-0.5%*	*1.5%*	*2.8%*	*0.1%*	*1.6%*	*1.7%*	*3.7%*
Others	1	1	1	1	1	0	1	0	1	1	1	1
EBIT Margin	*0.1%*	*0.1%*	*0.1%*	*0.1%*	*0.1%*	*0.0%*	*0.1%*	*0.0%*	*0.0%*	*0.1%*	*0.1%*	*0.1%*

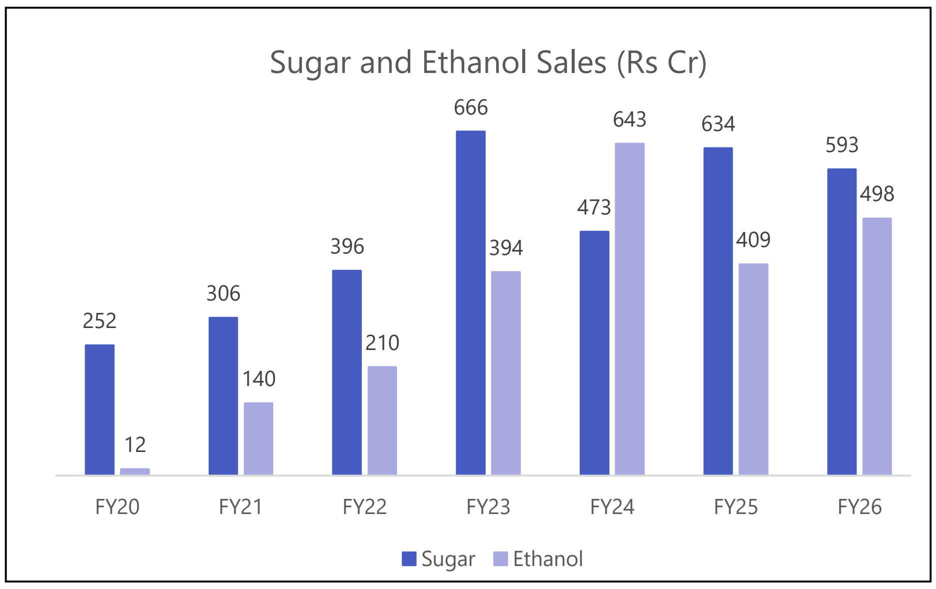
(Source: Company, HDFC sec)

Story in Charts

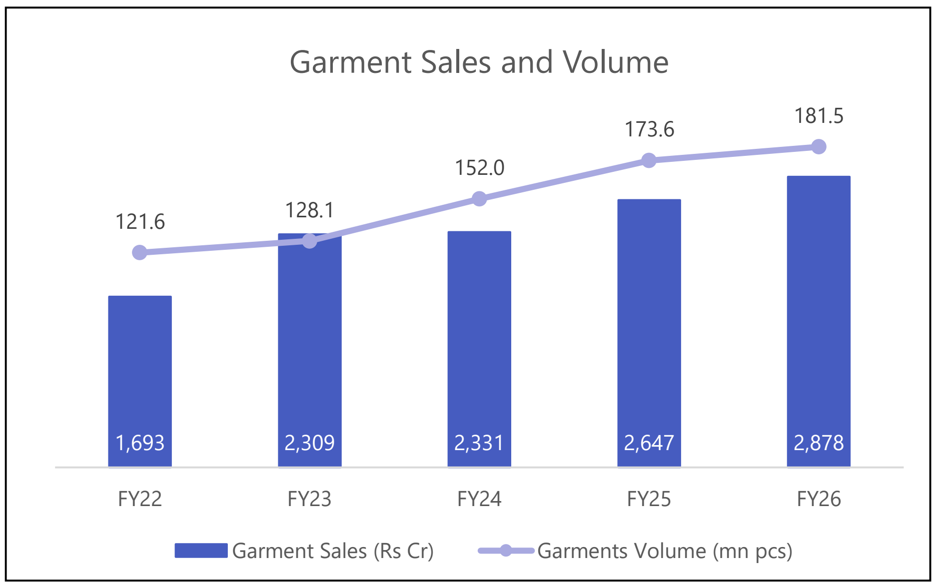
Fully vertically integrated business with Garment business as its mainstay



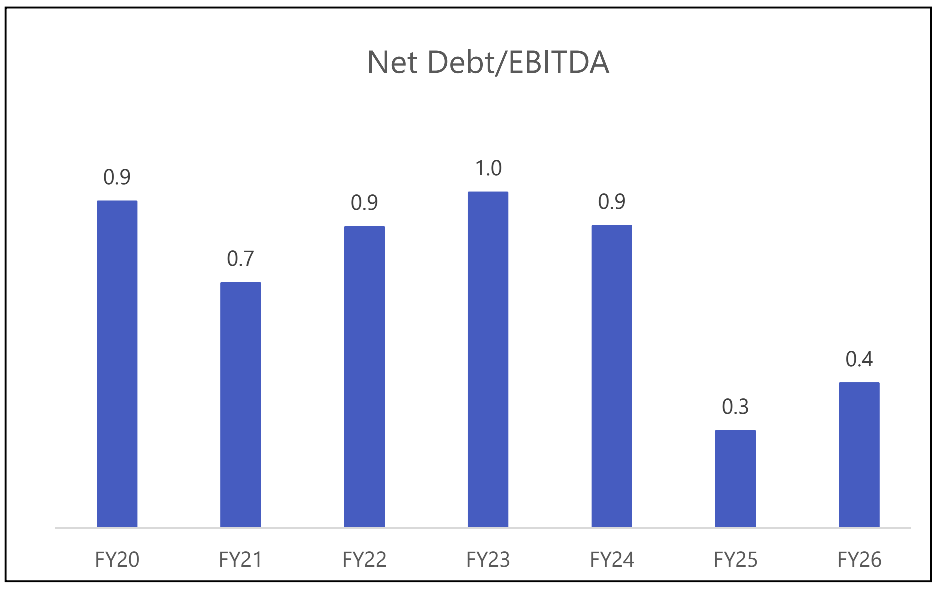
Sugar and Ethanol segments continue to drive revenue growth



Garment volumes have maintained a steady pace of growth



On a journey to substantial deleveraging towards net cash



(Source: Company, HDFC sec)

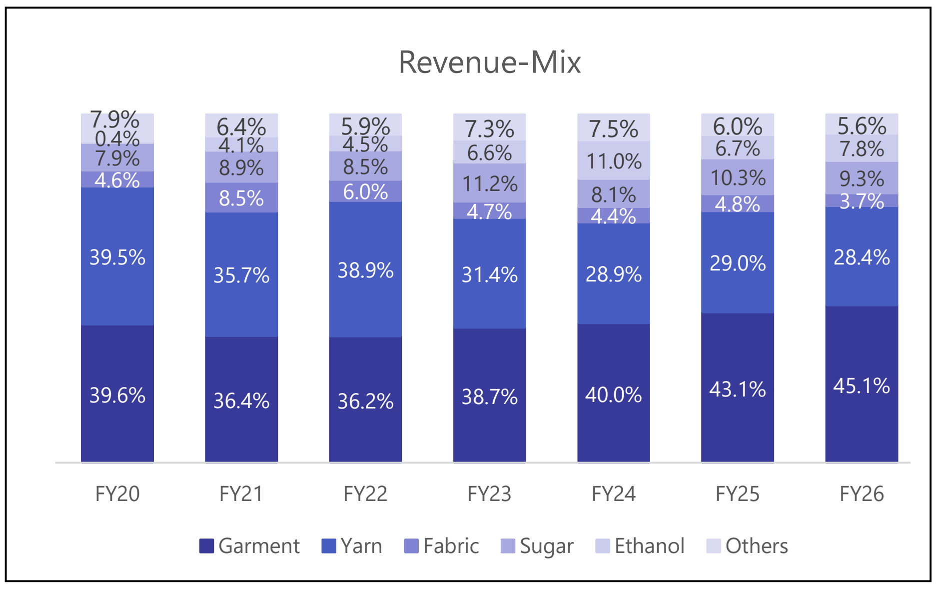
Key Rationale

Fully Vertically Integrated Player leading to Cost Efficiency and Superior Margins

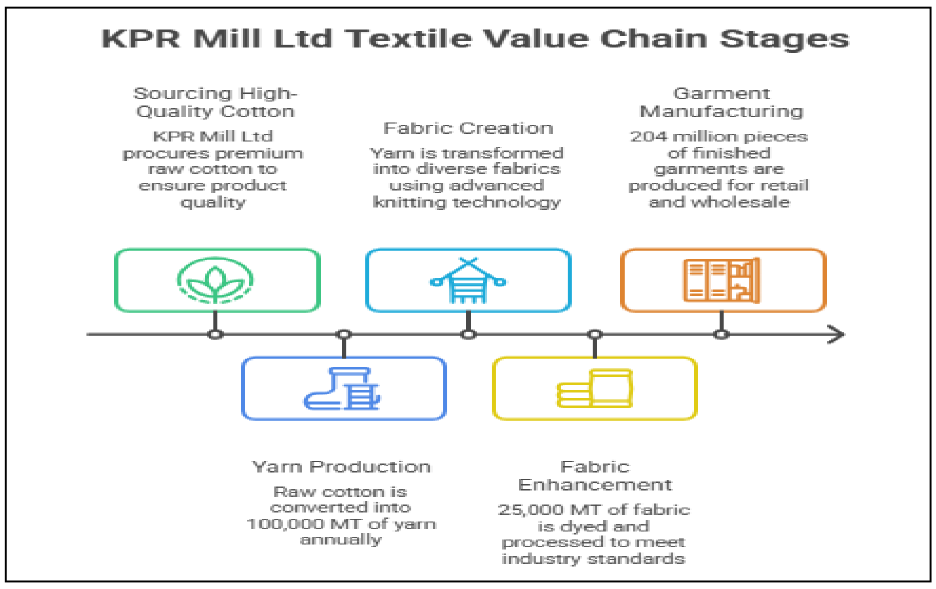
Vertical Integration provides cost advantage

- KPR's integrated business model spanning spinning, knitting, processing, garmenting, and co-generation provides 2 unique advantages, differentiating it from other pure-play garment manufacturers: (i) cost insulation from third-party yarn and fabric price volatility, as ~60% of KPR's garment raw material needs are met captively; and (ii) lead time compression to ~35 days for end-to-end order fulfilment, compared to 60–90 days for non-integrated competitors.
- KPR manufactures a vast product range of textile varieties such as Readymade Knitted Apparel; Fabrics; 100% Cotton Combed, Carded, Compact, Red Label and Vortex Viscose Yarns.
- Across its 15 manufacturing units, KPR boasts a strong manufacturing capacity encompassing 1,00,000 MT of Cotton yarn & 10,500 MT of Viscose vortex yarn per annum; 40,000 MT fabrics per annum; 204 million readymade knitted apparel per annum, making it one of the largest Garment Producers in the country.
- Further, its Processing and Printing capabilities include Fabric Processing capacity of 25,000 MT per annum equipped with Advanced Cold Processing Technology and Sophisticated Printing Division with a capacity to print 15,000 MT per annum and 1,00,000 High Fashion Garments placement printing per day
- KPR also possesses capacities in Power Generation, Sugar and Ethanol - 61.92 MW Windmill capacity; 40 MW Solar Power; 90 MW Co-gen power (overall 191.92 MW renewable energy catering to most of its power needs); Sugar Plants with an aggregate capacity of 20,000 TCD and Ethanol Plants with 470 KLPD capacity, making it a truly integrated company across the value chain.

Fully integrated operations with focus on the Garmenting division



Building scale across the Textile Value Chain



(Source: Company, HDFC sec.)

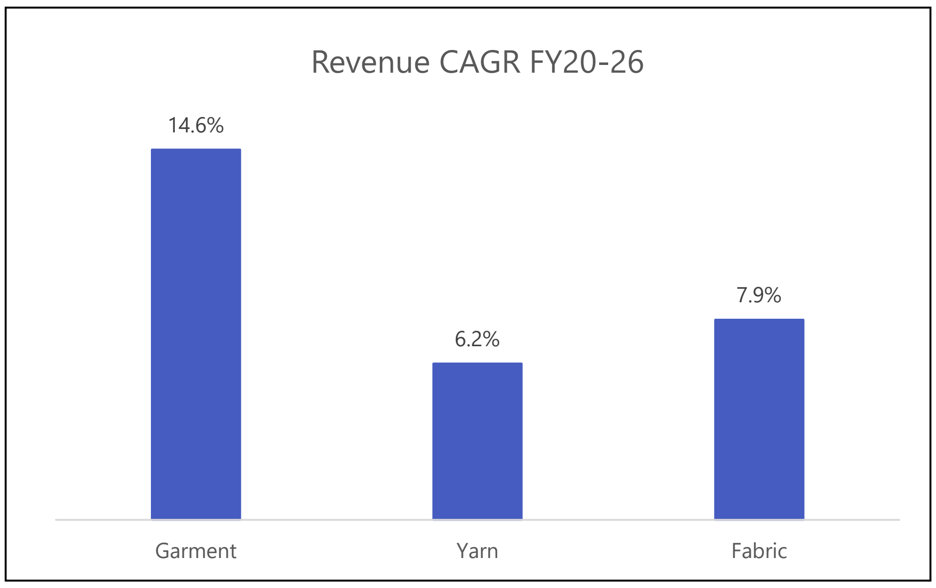
Garment Division Continues to be the Growth Engine

- KPR's Garment division (45.1% of FY26 revenue) remains its primary growth engine, with the company steadily shifting its revenue and profit mix towards value-added apparel from the more cyclical yarn business. Management has consistently prioritized garment capacity additions, helping the company deliver superior growth while reducing earnings volatility associated with commodity textile segments.
- The garment division has undergone a significant capacity transformation over the last decade, expanding from roughly 95-115 million pieces earlier in the decade to 157 million pieces in FY22, 177 million pieces in FY25, with capacity crossing **200 million pieces** subsequently following phased expansions. This disciplined capacity build-up has enabled KPR to scale alongside global brands while maintaining high asset utilization and operational efficiency.
- KPR enjoys a structural margin advantage over most standalone garment exporters owing to its highly integrated business model. Backward integration across spinning, knitting, processing and garmenting ensures better control over raw material costs, shorter lead times, lower logistics costs, superior quality consistency and reduced dependence on third-party suppliers. Additionally, captive renewable power generation and a high degree of automation further lower operating costs, allowing KPR to consistently generate industry-leading EBITDA margins.

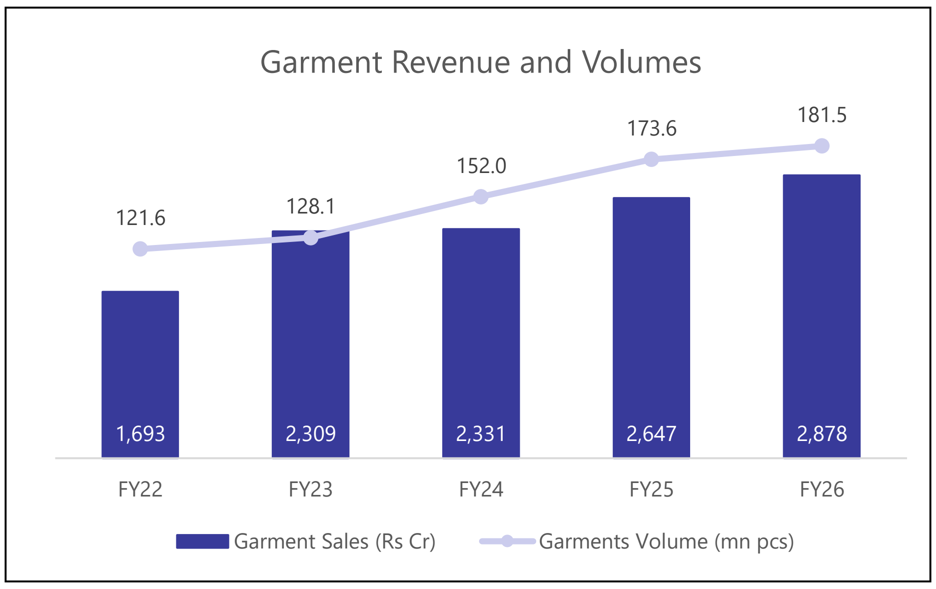
Contributing ~45% to FY26 revenue, Garmenting remains a key growth driver

- The garment business also benefits from a superior product mix and customer profile, with exports to leading global apparel brands and increasing focus on value-added knitted garments. Compared with commodity yarn, garmenting offers significantly higher value addition, stronger pricing power and better return ratios, making it a preferred choice of capital allocation.
- Garmenting export are expected to remain robust, going into FY27, led by improving global sourcing opportunities, India's strengthening trade competitiveness and stable cotton prices.
- Garment margins are expected to remain healthy while positioning itself to benefit from the next upcycle in global apparel demand through its scale, integrated manufacturing platform and long-standing customer relationships.
- The Odisha greenfield facility — Phase I capex of ~Rs 500 crore, expected to add 50 million pieces per annum by FY28 — is the next capacity leg. This geographic diversification also reduces Tamil Nadu's concentration risk and opens access to an additional labour pool in Eastern India, where textile manufacturing clusters are being actively developed with state incentives.

Garment Division has shown rapid growth over the last 5 years



Garment Volumes and Realisations are expected to improve



(Source: Company, HDFC sec.)

Yarn and Fabric, albeit low margin, provide necessary upstream value

Yarn and Fabric provide Strategic Upstream Support

- The yarn and fabric segment, while lower-margin than garments, plays a strategically critical role in the KPR model, supplying captive feedstock to the garment division at transfer pricing that eliminates third-party mark-ups and ensures consistent quality and lead time control.
- A significant portion of the yarn produced is transferred to the company's fabric and garment divisions, reducing dependence on third-party suppliers. This integration ensures consistent quality, stable availability of raw material, and greater control over production scheduling. As a result, the garment business is insulated from supply disruptions and volatile yarn procurement costs.
- KPR procures cotton in bulk during the harvest season, enabling it to secure raw material at competitive prices while maintaining adequate inventories throughout the year. Since cotton is the largest input cost in yarn production, efficient procurement and inventory management help stabilize manufacturing costs across the value chain.
- With upstream spinning capacity available in-house, KPR can quickly align yarn production with changing garment order requirements without relying on external suppliers. This flexibility shortens production lead times and enables better synchronization between spinning, fabric manufacturing, and apparel production.
- Faster turnaround enhances the company's ability to execute export orders efficiently and accommodate changes in product mix. The resulting improvement in asset utilization and capacity planning supports stronger profitability.
- Although the garment segment generates higher value addition, the yarn business provides an independent revenue stream through external sales whenever internal demand is lower. During periods of weaker apparel demand, surplus yarn can be sold in domestic or export markets, improving capacity utilization and cash flow.
- Conversely, when garment demand is strong, a larger share of yarn can be consumed internally to maximize value addition. This flexibility enhances earnings stability while ensuring that the garment segment consistently benefits from a secure and cost-efficient upstream supply chain.

Sugar and Ethanol provide Meaningful Avenue for Business Diversification

- Diversification into Sugar and Ethanol has helped KPR reduce its dependence on the inherently cyclical textile and apparel segments. By converting a larger share of sugarcane into ethanol, KPR is able to improve product mix, optimize profitability and reduce its exposure to fluctuations in sugar prices.
- While textiles remain the core business, the contribution of the sugar segment (including Ethanol) in KPR’s revenue has increased from 10.2% in FY20 to 17.5% in FY26, as the ethanol blending programme has improved realisations and sugar prices have remained supportive.
- With India's 20% ethanol blending mandate, this segment could be a structural beneficiary of India's biofuel policy that provides earnings stability precisely when the textile export cycle is under pressure.
- The company has steadily scaled its integrated sugar and distillery operations, expanding crushing capacity and increasing ethanol production capabilities to capitalize on India's ethanol blending

programme. KPR currently possess sugar plants with an aggregate capacity of 20,000 TCD and Ethanol Plants with 470 KLPD capacity.

- Ethanol has emerged as an attractive structural growth opportunity, supported by the Government of India's continued focus on higher ethanol blending with petrol. Long-term policy support, assured procurement by oil marketing companies, and relatively stable demand provide greater earnings visibility than the traditional sugar business.
- The sugar business also offers optionality during industry upcycles. Sugar prices have historically been cyclical, driven by domestic production, global supply-demand balances and government policies. An anticipated improvement in the sugar cycle—supported by tighter supply and favourable pricing—could enhance the profitability of KPR's sugar operations and provide an incremental boost to consolidated earnings.

FTAs with EU and UK and a Favourable Policy Environment to Boost Revenue and Margins

- The India-EU Free Trade Agreement (signed January 2026) and the India-UK CETA (effective July 15, 2026) together eliminate tariffs of 10–12% on Indian apparel exports to Europe and the UK — markets that collectively accounted for ~63.1% of KPR's export revenues in FY26.
- Both markets are major destinations for KPR Mill's garment exports, and lower or zero import duties would improve price competitiveness against key exporting nations such as Bangladesh, Vietnam and Turkey. This could translate into higher order inflows, deeper customer relationships and improved market share for integrated exporters like KPR.
- KPR is well positioned to capitalise on these trade agreements owing to its large-scale, vertically integrated manufacturing model and long-standing relationships with leading global apparel brands.
- At a ~12% tariff elimination on ~Rs 1,600–1,700 crore of EU-exposed garment revenues, the raw incremental EBITDA opportunity. The structure of this benefit will depend on competitive dynamics, but even a 50/50 split (KPR and buyers) implies significant earnings accretion.
- Supportive policies for renewable energy and sustainable manufacturing also benefit KPR's integrated operations. The company's investments in captive renewable power, resource-efficient processing and sustainability initiatives align well with the increasing environmental compliance requirements of global apparel buyers, strengthening its competitive positioning and helping secure long-term export contracts.
- Production-linked incentives, export promotion initiatives and India's broader manufacturing push continue to improve the operating environment for organised textile manufacturers. While KPR's integrated model already provides cost and margin advantages, these policy measures further support capacity expansion, export growth and India's ambition to increase its share in the global textile and apparel market over the coming years.

The Odisha Greenfield: Phase I Capacity Adding the Next Growth Leg

- KPR's greenfield garment manufacturing facility in Odisha — Phase I capex of ~Rs 500 crore, expected to add 50 million pieces per annum by FY28 — is the most significant single capacity addition in the company's recent history.
- This brings total group garmenting capacity from 204 million to 254 million pieces by FY28, providing the physical infrastructure to absorb the incremental European order flow that the FTA is expected to unlock.
- Odisha also offers strategic advantages beyond capacity: lower labour costs versus Tamil Nadu (where KPR's existing facilities are concentrated), state incentives including capital subsidies and power tariff concessions under Odisha's Textile Policy 2022, and proximity to the eastern port of Paradip for export logistics.
- The labour force in Odisha is increasingly trained in textile manufacturing skills through ITI and NSDC programmes, reducing the ramp-up risk typically associated with greenfield manufacturing.

Risks & Concerns

- **Weak Global Apparel Demand:** A slowdown in key export markets such as the US and Europe could impact garment order volumes, pricing, and capacity utilisation, affecting overall profitability.

- **Volatility in Raw Material Prices:** Significant fluctuations in cotton prices can pressure margins, particularly if higher raw material costs cannot be passed on to customers in a timely manner.
- **US Tariff Uncertainty:** The US imposed a 26% reciprocal tariff on Indian goods in April 2026. While India-US trade negotiations are ongoing and a partial or full rollback remains possible, the uncertainty has dampened order flow from North American buyers (~21% of KPR's garment revenues). A prolonged tariff regime would divert orders to duty-exempt competitors (Bangladesh, Vietnam) and compress KPR's US-facing garment realisation, partially offsetting the EU/UK FTA benefit. The net FTA benefit calculation changes materially if US volumes decline.
- **Execution and Capacity Utilisation Risks: Delays in ramping up new capacities or lower-than-expected utilisation** in the garment division could impact return ratios and earnings growth.
- **Currency and Competitive Risks:** As a meaningful exporter, KPR remains exposed to foreign exchange fluctuations and increasing competition from low-cost manufacturing countries, which could affect export realisations and market share.

Company Description

K.P.R. Mill Limited (KPR) was incorporated in 2003 and is headquartered in Coimbatore, Tamil Nadu. Founded by the Senthilkumar family, KPR has grown from a single spinning unit into India's most comprehensively vertically integrated listed textile company over two decades. The company operates 15 manufacturing units across the Tirupur-Coimbatore region — Asia's largest knitwear cluster.

KPR's operational profile spans three integrated verticals: (1) Textiles — comprising spinning (100,000 MT cotton yarn; 10,000 MT vortex viscose), knitting and processing (25,000 MT fabric; 15,000 MT printing), and garmenting (204 million pieces per annum; 181.45 million pieces exported in FY26); (2) Sugar — with two integrated sugar mills and a 270,000 KL/year distillery targeting India's Ethanol Blended Petrol (EBP) programme; and (3) Green Energy — 92 MW captive capacity from wind, co-generation, and rooftop solar, meeting ~40–60% of textile manufacturing energy needs and providing Zero Liquid Discharge manufacturing credentials for ESG-mandated global buyers.

Financial Statements

Income Statement

Particulars (in Rs Cr)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net Revenues	**6,060**	**6,388**	**6,650**	**7,353**	**7,974**	**8,880**
Growth (%)	***-2.0***	***5.4***	***4.1***	***10.6***	***8.5***	***11.4***
Operating Expenses	4,823	5,142	5,383	5,904	6,335	7,006
EBITDA	**1,237**	**1,246**	**1,267**	**1,448**	**1,639**	**1,874**
Growth (%)	***-3.0***	***0.8***	***1.7***	***14.3***	***13.1***	***14.3***
EBITDA Margin (%)	***20.4***	***19.5***	***19.1***	***19.7***	***20.6***	***21.1***
Depreciation	189	208	216	235	257	277
Other Income	67	74	134	110	120	133
EBIT	**1,115**	**1,113**	**1,186**	**1,324**	**1,501**	**1,729**
Interest expenses	74	50	52	46	44	26
PBT	**1,040**	**1,063**	**1,134**	**1,278**	**1,457**	**1,704**
Tax	235	248	268	322	367	429
PAT	**805**	**815**	**866**	**956**	**1,090**	**1,274**
Share of Asso./Minority Int.	0	0	0	0	0	0
Adj. PAT	**805**	**815**	**866**	**956**	**1,090**	**1,274**
Growth (%)	**13**	**13**	**13**	**13**	**14**	**14**
EPS	23.6	23.8	25.4	28.0	31.9	37.3

Balance Sheet

Particulars (in Rs Cr) - As at March	FY24	FY25	FY26	FY27E	FY28E	FY29E
SOURCE OF FUNDS						
Share Capital	34	34	34	34	34	34
Reserves	4,324	4,968	5,663	6,431	7,306	8,324
Shareholders' Funds	**4,358**	**5,002**	**5,698**	**6,465**	**7,340**	**8,358**
Minority Interest	0	0	0	0	0	0
Total Debt	1,158	466	596	496	346	146
Other Non-Curr. Liab	7	2	7	4	5	7
Net Deferred Taxes	118	129	145	145	145	145
Total Sources of Funds	**5,641**	**5,598**	**6,446**	**7,111**	**7,837**	**8,656**
APPLICATION OF FUNDS						
Net Block & Goodwill	2,429	2,461	2,397	2,512	2,555	2,528
CWIP	118	40	63	63	63	63
Investments	34	264	70	70	70	70
Other Non-Curr. Assets	176	132	181	200	217	242
Total Non-Current Assets	**2,756**	**2,898**	**2,711**	**2,846**	**2,906**	**2,903**
Inventories	1,905	1,869	1,844	2,004	2,097	2,251
Debtors	669	586	640	705	765	851
Cash & Equivalents	75	115	64	229	629	1,045
Other Current Assets	458	495	1,574	1,740	1,887	2,101
Total Current Assets	**3,108**	**3,064**	**4,122**	**4,679**	**5,378**	**6,249**
Creditors	115	218	233	243	262	290
Other Current Liab & Provisions	108	145	154	170	185	206
Total Current Liabilities	**223**	**363**	**387**	**413**	**447**	**496**
Net Current Assets	2,885	2,701	3,735	4,266	4,931	5,753
Total Application of Funds	**5,641**	**5,598**	**6,446**	**7,111**	**7,837**	**8,656**

Cash Flow Statement

Particulars (in Rs Cr)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Reported PBT	805	815	867	1,278	1,457	1,704
Non-operating & EO items	203	204	174	-19	-17	-24
Interest Expenses	74	50	52	46	44	26
Depreciation	189	208	216	235	257	277
Working Capital Change	-395	364	53	-368	-265	-404
Tax Paid	-199	-239	-253	-322	-367	-429
OPERATING CASH FLOW (a)	**678**	**1,401**	**1,108**	**850**	**1,109**	**1,149**
Capex	-315	-161	-252	-350	-300	-250
Free Cash Flow	363	1,240	856	500	809	899
Investments	14	-309	-881	0	0	0
Non-operating income	6	19	64	0	0	0
INVESTING CASH FLOW (b)	**-294**	**-450**	**-1,068**	**-350**	**-300**	**-250**
Debt Issuance / (Repaid)	-190	-693	130	-100	-150	-200
Interest Expenses	-73	-48	-49	-46	-44	-26
FCFE	120	210	120	354	615	673
Share Capital Issuance	0	0	0	0	0	0
Dividend	-154	-171	-171	-188	-215	-256
Others	0	0	0	0	0	0
FINANCING CASH FLOW (c)	**-417**	**-912**	**-90**	**-334**	**-410**	**-482**
NET CASH FLOW (a+b+c)	**-33**	**39**	**-51**	**166**	**400**	**417**

Key Ratios

Particulars	FY24	FY25	FY26	FY27E	FY28E	FY29E
Profitability Ratios (%)						
EBITDA Margin	20.4	19.5	19.1	19.7	20.6	21.1
EBIT Margin	18.4	17.4	17.8	18.0	18.8	19.5
APAT Margin	13.3	12.8	13.0	13.0	13.7	14.4
RoE	20.0	17.4	16.2	15.7	15.8	16.2
RoCE	21.1	20.3	20.2	20.0	20.5	21.4
Solvency Ratio (x)						
Net Debt/EBITDA	0.9	0.3	0.4	0.2	-0.2	-0.5
Net D/E	0.2	0.1	0.1	0.0	0.0	-0.1
PER SHARE DATA (Rs)						
EPS	23.6	23.8	25.4	28.0	31.9	37.3
CEPS	29.1	29.9	31.7	34.8	39.4	45.4
BV	127.5	146.3	166.7	189.1	214.7	244.5
Dividend	5.0	5.0	5.0	5.5	6.3	7.5
Turnover Ratios (days)						
Debtor days	39	36	34	33	34	33
Inventory days	115	108	102	96	94	89
Creditors days	14	10	12	12	12	11
Valuation (X)						
P/E	45.1	44.5	41.9	38.0	33.3	28.5
P/BV	8.3	7.3	6.4	5.6	4.9	4.3
EV/EBITDA	30.2	29.2	29.0	25.2	21.9	18.9
EV / Revenues	6.2	5.7	5.5	5.0	4.5	4.0
Dividend Yield (%)	0.5	0.5	0.5	0.5	0.6	0.7
Dividend Payout (%)	21.2	21.0	19.7	19.7	19.8	20.1

(Source: Company, HDFC sec.)

Sanathan Textiles Ltd

Reco BUY

Industry	Textiles
LTP (Jul 24, 2026)	483
Entry Range	475-490
Add on Dips	425-440
Base Case Target	530
Bull Case Target	572
Time Horizon	4 Quarters

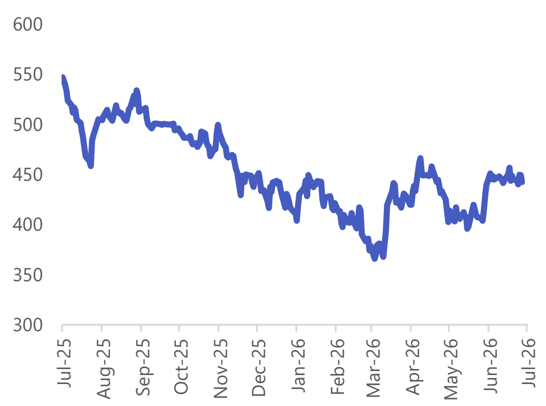
Stock Info

BSE Code	544314
NSE Code	SANATHAN
Bloomberg	SANATHAN:IN
Equity Capital (Rs Cr)	84.4
Face Value (Rs)	10.0
Equity Share O/S (Cr)	8.4
Market Cap (Rs Cr)	4,110
Book Value (Rs)	222.0
Avg. 52 Wk Volumes	42,889
52 Week High	560
52 Week Low	353

Share Holding Pattern (%) (Jun'26)

Promoters	78.6
Institutions	14.2
Non-Institutions	7.2
Total	100.0

One Year Price Chart



* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst

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Massive Capacity Expansion, Capturing Textile Growth in North India

Sanathan Textiles Ltd (Sanathan) is one of India's most diversified and integrated yarn manufacturer, catering to domestic and global markets across Polyester Filament Yarns, Cotton Yarns and Yarns for Technical Textiles. STL acts as an upstream enabler whose output is the raw material for garment manufacturers, home textile companies, and technical textile fabricators alike. With 3,200+ active yarn varieties, 50,000+ SKUs, and 7,000+ customers, STL is one of the very few that operates at integrated scale with captive polymerisation.

FY26 was a year of deliberate investment pain that generated significant operational reward. Consolidated revenue surged 27.1% YoY to Rs 3,811 crore, driven by the successful ramp-up of the Punjab greenfield facility (Phase I capacity: 255,000 MTPA, commercial operations starting from August 2025). STL's Punjab facility (Phase 1 commissioned) received a positive response from customers across the North India textile market, resulting in the addition of several customers, putting the company in a position of strength to capture the growing demand in the North Indian textile market. Silvassa facility continues to serve as the operational anchor for the company supported by product flexibility.

Moving into FY27, the management remains focused on improving operational efficiencies, strengthening fixed cost absorption, improving product mix and enhancing customer engagement. With a planned capex of nearly doubling the Polyester capacity, once Phase II in Punjab commercialises, the company is expected to drive benefits of scale, reaping rewards in terms of increased volumes and improved margins, through operating leverage, offsetting the near-term impact from incremental depreciation and interest cost.

We believe investors can buy the stock in the Rs 475-490 band (12.75x FY29E EPS) and add on dips in Rs 425-440 band (11.5x FY29E EPS) for a base case fair value of Rs 530 (14.0x FY29E EPS) and bull case fair value of Rs 572 (15.0x FY29E EPS) over the next 4 quarters.

Our Take

An Integrated Manufacturer with Presence across Polyester, Cotton and Technical Textiles

STL is one of the few companies (amongst its peer group) in India with a presence across the polyester, cotton, and technical textile sectors (which find application in multiple end-use segments including automotive, healthcare, construction, sports and outdoor, and protective clothing.

STL's business strengths lies in the diversity of its product range and the relatively higher share of value-added products. Polyester continues to be the dominant segment, contributing more than 75% to STL's revenues. However, the company has also diversified its focus in the high-margin technical textiles segment.

Well Positioned to Capture Growth in the North Indian Textiles Market

STL's recent expansion in Punjab is a strategic move to help diversify away from its presence in Western India, where it operates through its Silvassa plant. Ludhiana is India's largest knitwear and hosiery manufacturing hub and STL's Punjab facility is also in proximity to Panipat, India's largest hub for recycled fibre and blanket manufacturing.

The Delhi NCR garment manufacturing cluster — spanning Gurugram, Noida, Faridabad, and Manesar — is a large consumer of polyester fabrics and therefore polyester yarn. Proximity to this cluster allows STL to serve just-in-time replenishment orders that would not be commercially feasible with Gujarat-sourced yarn given freight time.

Punjab Capex to Drive Polyester Scale and Strengthen Market Leadership

Sanathan Textiles' greenfield investment in Punjab represents one of the company's most significant growth initiatives, positioning it for a step-change in polyester filament yarn (PFY) capacity. Spread across an 80-acre site, the integrated facility is being commissioned in phases and is designed to more than double the company's PFY capacity—from approximately 2.0 lakh MTPA to 5.47 lakh MTPA when fully operational. The plant is strategically located to serve North India's key textile clusters, reducing logistics costs, improving delivery timelines, and strengthening customer relationships in a region that already contributes a meaningful share of the company's demand.

The Punjab expansion also enhances Sanathan Textiles' scale advantage in polyester by combining higher production capacity with an integrated manufacturing model that includes continuous polymerisation and downstream value-added processes such as spinning, texturising and twisting.

Valuation & Recommendation

STL's key moat lies in its integrated manufacturing set-up across polyester, yarn and technical textiles and a wide variety of SKUs that it can serve. The company has over the years developed strong manufacturing capabilities, offering a breadth of products and simultaneously innovating to develop new varieties, leading to an increasing share of value-added products. The company's manufacturing scale and product breadth architecture are difficult for other mid-sized players to easily replicate.

FY26 was a transitional year as STL nearly doubled its capacity in polyester by commissioning the Punjab facility. As a result, the company's financials reflected higher depreciation and finance costs linked to the same. As the facility continues to ramp up, operating leverage is expected to kick in, translating into stronger operating margins, better absorption of depreciation and interest cost and healthier free cash flow generation over the coming quarters. STL's significant capacity expansion in PFY, a growing industry with government focus through PLI, and diversification through technical textiles, positions it well to capture the growth revival in the industry.

We believe investors can buy the stock in the Rs 475-490 band (12.75x FY29E EPS) and add on dips in Rs 425-440 band (11.5x FY29E EPS) for a base case fair value of Rs 530 (14.0x FY29E EPS) and bull case fair value of Rs 572 (15.0x FY29E EPS) over the next 4 quarters.

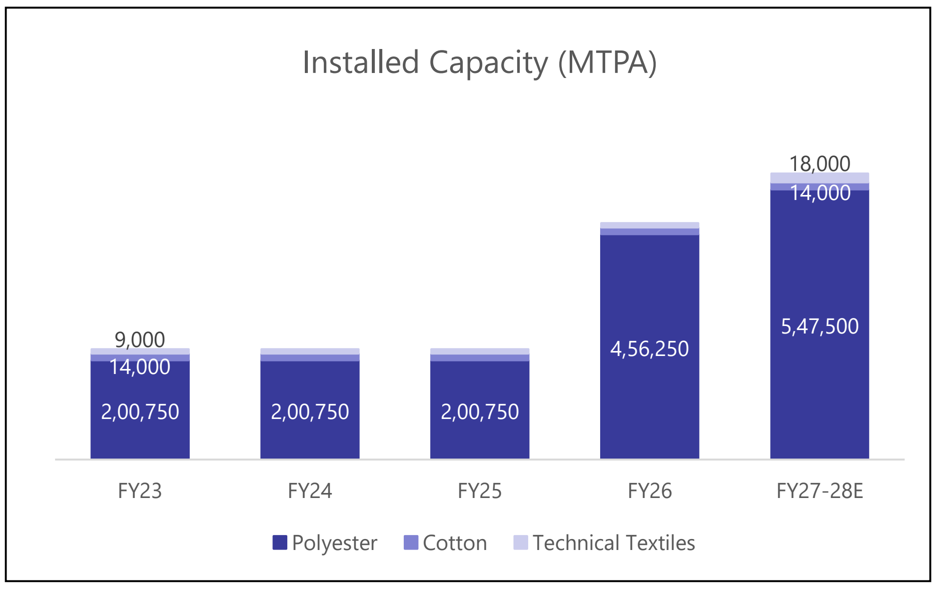
Financial Summary

Particulars (in Rs Cr)	Q4FY26	Q4FY25	YoY-%	Q3FY26	QoQ-%	FY24	FY25	FY26	FY27E	FY28E	FY29E
Operating Income	1,169	732	59.7%	1,079	8.4%	2,958	2,999	3,811	5,472	6,621	7,283
EBITDA	94	68	38.1%	57	65.1%	227	264	284	506	646	746
APAT	22	44	-50.6%	-5	-552.2%	134	160	77	180	265	322
Diluted EPS (Rs)	2.6	5.2	-50.5%	-0.6	-549.1%	15.9	19.0	9.2	21.3	31.3	38.1
RoE-%						11.1	10.4	4.2	9.2	12.1	13.0
P/E (x)						30.5	25.4	52.7	22.6	15.4	12.7
EV/EBITDA (x)						19.1	19.5	19.6	11.4	9.0	7.6

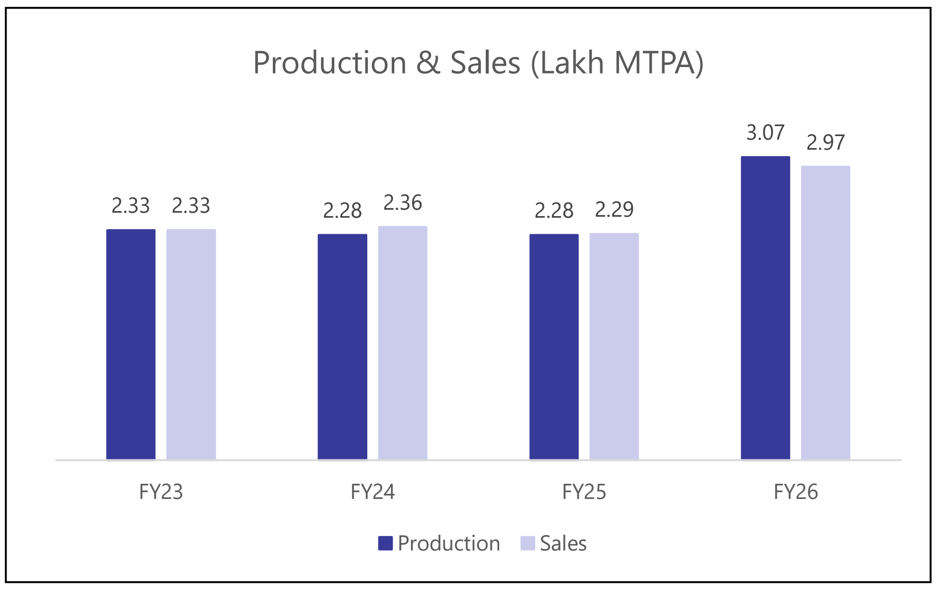
(Source: Company, HDFC sec)

Story in Charts

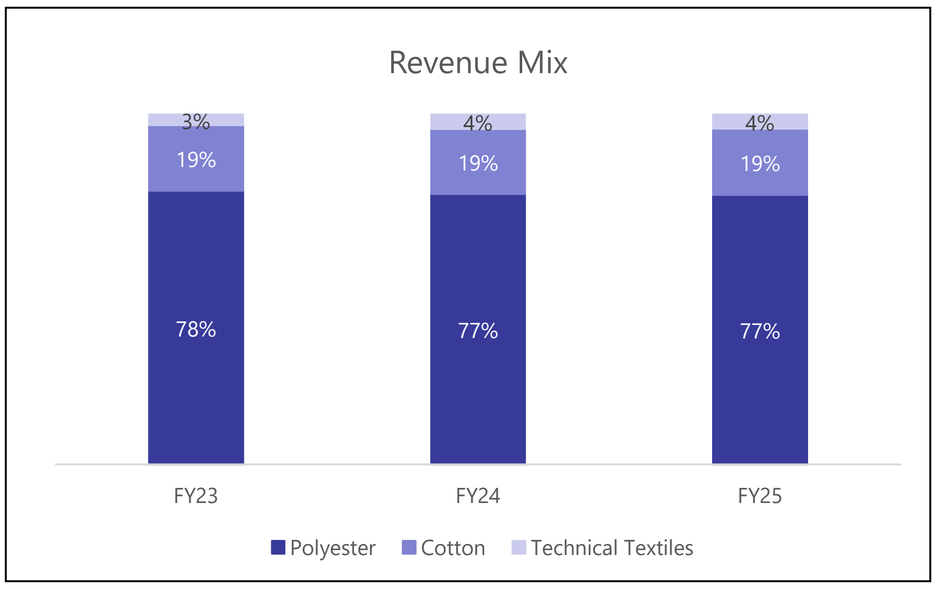
Ramping up the installed capacity from 2.2 LMTPA to 5.8 LMTPA by FY28E



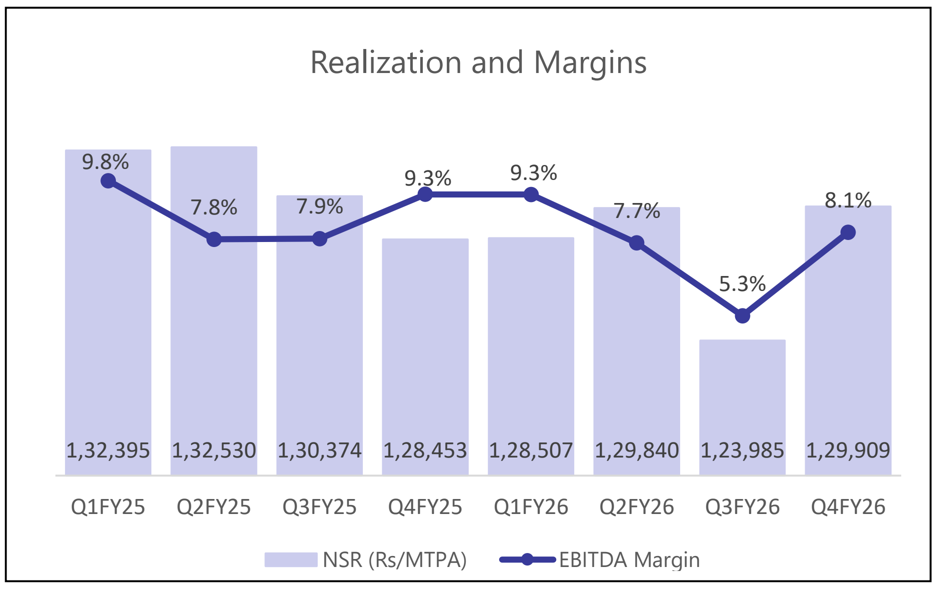
Strong record of capacity utilization and inventory management



Polyester continues to dominate Revenue Mix



Margins expected to improve as realizations continue to recover



(Source: Company, HDFC sec)

Q4FY26 Result Review

STL reported a strong quarter in Q4FY26, amidst the backdrop of global trade disruptions, with revenue growing by 59.7% YoY. STL witnessed a much improved second half of FY26, as volumes grew 46.3% HoH to 1.77 LMPTA (1.21 LMPTA H1FY26). This was primarily driven by a combination of better capacity utilisation, improved operating efficiency, the ramp-up of production at Punjab, sustained utilisation at Silvassa and an improvement in spreads across all businesses.

Overall, capacity utilisation improved from 50% in H1FY26 to 74% in H2FY26. Volumes during the quarter grew by 57.9% YoY with NSR (Rs/MTPA) improving by 1.1% YoY to Rs 1,29,909.

Improving efficiency, better operating leverage, ramp-up of production and sustained utilisation at the Silvassa facility led to a 209 bps QoQ growth in Gross Profit margin (-52 bps YoY) to 30.3%. Reflecting progressive operational stabilisation at the Punjab facility, EBITDA margins improved 277 bps QoQ (-126 bps YoY) to 8.1%. STL's consolidated PAT at Rs 21.6 cr (Rs 43.6 cr YoY/Rs -4.8 cr QoQ) continued to reflect the impact of higher depreciation and finance cost post the capitalisation of the Punjab facility.

Key Rationale

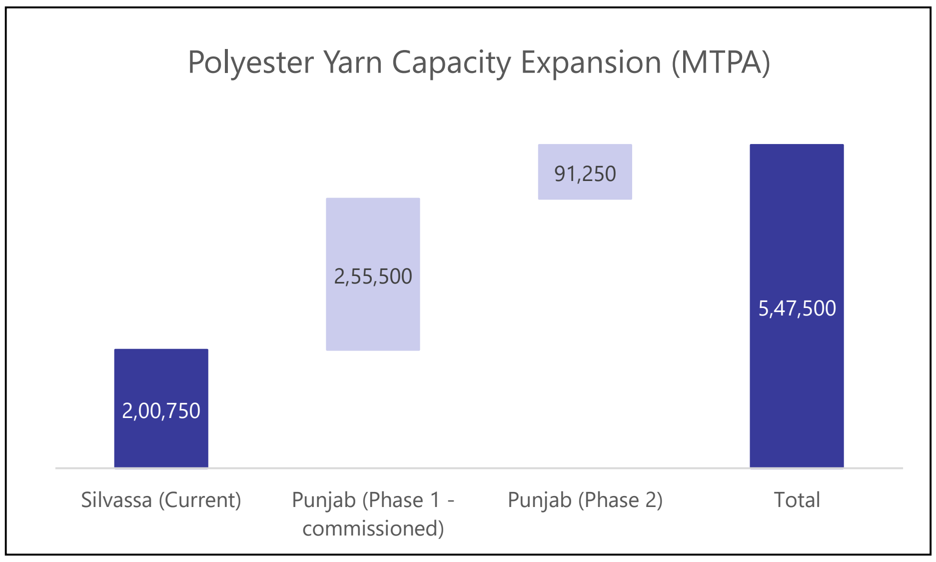
Riding the Structural Shift from Cotton to Synthetics in Polyester Filament Yarn

Betting big on Polyester Filament Yarn

- The Polyester Filament Yarns (PFY) business is at the core of STL's operations, anchored by a fully integrated manufacturing setup that ensures seamless backward and forward integration. The business constitutes more than 75% of Sanathan's revenue mix.
- At the core of this division are Purified Terephthalic Acid (PTA) and Mono Ethylene Glycol (MEG), which serve as essential raw materials for yarn production.
- STL differentiates itself through its ability to produce customized, small-batch, and specialty yarns with varied deniers, lusters, cross-sections, colours, and performance characteristics, enabling it to cater to niche customer requirements while reducing dependence on commoditized products.
- Global polyester fibre demand has grown at a 5% CAGR over the past decade and synthetic fibres now account for approximately 70% of global textile fibre consumption, up from 50% two decades ago. In India, the shift is accelerating as athleisure, activewear, fast fashion, and performance fabrics gain mainstream consumer adoption, all of which are polyester-intensive end uses
- India's polyester filament yarn market is additionally being driven by the PLI scheme for man-made fibre textiles (MMF) and the government's explicit push to increase India's MMF textile share in global exports over the next decade. STL's capacity expansion directly aligns with this policy ambition.
- STL's polyester filament yarn capacity of 547,500 MTPA (at full Punjab Phase II completion) will make it one of the top 3 listed polyester yarn manufacturers in India — a scale position that unlocks raw material procurement advantages, customer concentration reduction, and geographic market breadth that smaller players cannot access.
- Going forward, Sanathan aims to increase the share of value-added PFY products through continuous product innovation, capacity expansion, and deeper penetration into high-growth applications, supporting margin improvement and strengthening its competitive positioning in the polyester yarn industry.

Diversified offerings in Polyester with multiple end-use applications

Significantly ramping up Polyester Capacity



(Source: Company, HDFC sec.)

Breadth of Product Architecture Creating a Strong Moat

Robust product breadth providing strategic moat

- STL manufactures 3,200+ active yarn varieties and maintains the capability to produce 14,000+ varieties across 190,000 SKUs, creating a breadth of product architecture that is not easily replicable by peers. The breadth reflects over two decades of accumulated product development, customer co-development work, and process engineering embedded in STL's integrated continuous polymerisation plants.
- The integrated continuous polymerisation setup — with three lustre variations (bright, semi-dull, full-dull) and full control over polymer modification — allows STL to produce made-to-order specialty yarns (dope-dyed, cationic dyeable, antimicrobial, flame-retardant, moisture-management) that require modifications at the polymer chain level before extrusion. Yarn texturing-only players without captive polymerisation cannot make these products at all — they are structurally excluded from the specialty segment.
- Resultantly, STL has established long-standing relationships with marquee customers including the likes of Welspun India, Page Industries, and Ganesha Ecosphere, with long-term supply arrangements. These anchor relationships reflect revenue stability and provides the demand visibility needed to justify capacity expansion.

Technical Textiles - The High-Margin Growth Vector

High margin Technical Textiles segment to lead the next phase of margin expansion

- Set up in 2018, Yarns for Technical Textiles is a specialised vertical, centred on the production of high-performance yarns designed to meet demanding technical applications. The portfolio includes advanced variants such as Low Shrinkage (HTLS), High Tenacity (GHT), Super Low Shrinkage (HTSLS), and Low Elongation (HTLE) yarns— each engineered for dimensional stability, superior tenacity, and long-term durability.
- With applications across automotive, healthcare, construction, defence, agriculture, and sports, the Technical Textiles segment commands a superior margin profile as compared to the standard polyester filament yarn.
- Capacity for the segment is being doubled from 9,000 MTPA to 18,000 MTPA at Silvassa by Q1FY27, a targeted investment that reflects both strong order visibility and focus on margin expansion.
- The **automotive technical textile application** — seat belts, airbag fabric yarn, tyre cord — is a structurally growing segment, as India's vehicle production increases and safety regulations mandate higher airbag deployment rates.
- The **healthcare technical textiles segment** — surgical sutures, medical bandages, hygiene products — benefits from India's expanding healthcare infrastructure (Ayushman Bharat, medical device PLI) and growing medical exports. STL's filament yarns for surgical mesh and medical textiles carry certification requirements that create regulatory barriers to entry for smaller unqualified suppliers.
- **Infrastructure and geotextile demand** — road construction fabric, slope stabilisation, drainage textiles — is supported by India's sustained infrastructure investment cycle under PMGSY (rural roads), NH expansion, and metro rail projects. These applications require large-volume, consistent-specification technical yarn supply that STL can reliably provide at scale.

Capturing the Growing Demand in the North India Demand Cluster

- Ludhiana is India's largest knitwear and hosiery manufacturing hub, with an estimated output of Rs 15,000–18,000 crores annually and 90%+ polyester yarn intensity in its product mix (T-shirts, innerwear, sportswear). Prior to Punjab plant commissioning, virtually all polyester yarn serving this cluster was sourced from Gujarat and Maharashtra, implying 7 to12-day lead times and freight costs of Rs 3–5 per kg. STL Punjab aims to eliminate these frictions.
- Panipat — India's largest hub for recycled fibre and blanket manufacturing — is approximately 80 km from the Punjab facility. Panipat manufacturers are significant consumers of polyester yarn for carpet backing, recycled blankets, and home textile products. STL's GRS-certified Sanathan Reviro recycled yarn has a natural market here given Panipat's pre-existing recycling-focused manufacturing culture.
- The Delhi NCR garment manufacturing cluster — spanning Gurugram, Noida, Faridabad, and Manesar — is a large consumer of polyester fabrics and therefore polyester yarn. Proximity to this cluster allows STL to serve just-in-time replenishment orders that would not be commercially feasible with Gujarat-sourced yarn given freight time.

- As STL's North India customer relationships deepen, the Punjab facility will progressively develop the same long-term, repeat-order customer base that Silvassa has built over 25+ years in Western and Southern India — replicating the sticky customer architecture that has driven Silvassa's 90%+ utilisation consistency.

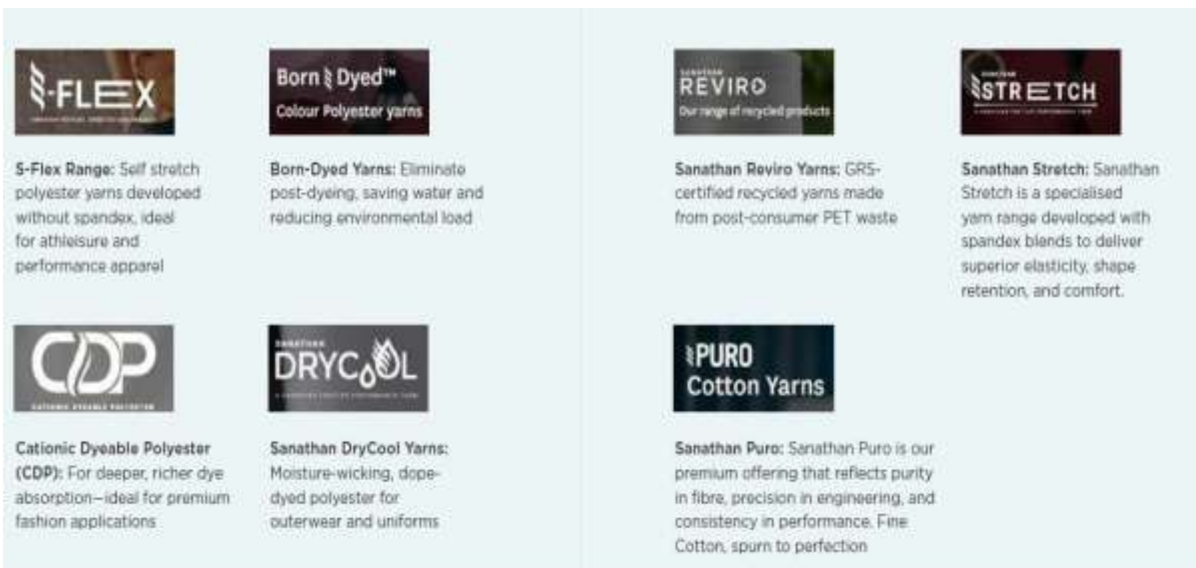
Diversification through Capex in Madhya Pradesh

- Sanathan Textiles is setting up a new cotton yarn manufacturing facility in Madhya Pradesh through its wholly owned subsidiary, Sanathan Polycot, reducing concentration risk from its existing manufacturing base and creating a more geographically diversified production network.
- The company has acquired 50 acres of land and is targeting Q1FY28 commissioning with an approximate capes of Rs 420-445 crores. The company has highlighted Madhya Pradesh's strong cotton textile ecosystem and heritage as a key reason for the investment, enabling better access to raw cotton, a developed supplier base, and a supportive manufacturing environment.
- The capex represents STL's deliberate pivot towards becoming a pan-India, multi-fibre yarn manufacturer rather than a Gujarat-centric polyester specialist. This project expands the addressable market to the Rs 45,000+ crore domestic cotton yarn market.

Developing New Products through Process Innovation

- STL constantly seeks to innovate and design products that are unique in colour, property, and characteristics to suit specific customer requirements. The company has an in-house Product Innovation and Development team that is continually focused on developing value-added products and using our existing machines and infrastructure to prepare customised, made-to-order products.
- Value added products and customisation of products is an integral element to ensuring longevity of customer relationships and repeat business. STL offers a varied range of value added products which constitute a significant proportion of its revenues with higher margins as these products are tailor-made to customer requirements and distinctive properties and characteristics.
- In recent years, STL has developed and launched several value-added yarn innovations including Sanathan Reviro, Born Dyed, Sanathan Puro, Sanathan Stretch, Sanathan Drycool, S-Flex and CDP
- STL’s Reviro brand, for example, operates in the recycled polyester yarn segment, one of the fastest-growing sub-segments within polyester, growing at 15–20% annually globally as brands commit to recycled content targets. EU textile regulation mandates 30% recycled content in synthetic textiles by 2030, creating a structural demand pull for GRS-certified recycled polyester yarn from compliant Indian suppliers.
- STL also continues to emphasize on Process Innovation by enhancing machine efficiency, reducing waste, and enabling customization without compromising throughput. Its R&D team works in close collaboration with manufacturing and sales teams to bring market-responsive innovations to life, efficiently and at scale.

Diversified offerings in Polyester with multiple end-use applications



(Source: Company, HDFC sec.)

Risks & Concerns

- **Raw Material Price Volatility:** Earnings remain sensitive to fluctuations in prices of key raw materials such as PTA, MEG, and crude oil derivatives. Delays in passing on cost increases to customers can compress margins.
- **Slowdown in End Market Demand:** Demand is closely linked to the health of the textile, apparel, home furnishing, and industrial sectors. Weak consumer spending or global economic slowdowns could adversely impact volumes.
- **Export Market Sensitivity:** A meaningful share of revenue is derived from exports, exposing the company to foreign exchange fluctuations, geopolitical uncertainties, trade restrictions, and changes in global demand.
- **Competitive Industry Dynamics:** The yarn industry remains highly competitive, with pricing pressure from domestic and international manufacturers. Excess capacity or aggressive pricing by competitors could impact realizations and profitability.

Company Description

Sanathan Textiles Limited (STL) was incorporated in 2005 and is headquartered in Mumbai with its primary manufacturing facility at Surangi village, Silvassa (Dadra & Nagar Haveli). STL operates across three yarn verticals: Polyester Filament Yarns (contributing approximately 77% of revenues) manufactured via continuous polymerisation of PTA and MEG; Cotton Yarns (approximately 10% of revenues) at its Silvassa cotton spinning unit; and Technical Textile Yarns (approximately 13% of revenues) produced at its industrial yarn division established in 2017. The company manufactures 3,200+ active yarn varieties, maintains 50,000+ SKUs, serves 7,000+ customers across India and 27 export markets, and works with 400+ distributors worldwide.

The Silvassa facility has an installed capacity of 223,750 MTPA (200,750 MTPA polyester yarn, 14,000 MTPA cotton yarn, 9,000 MTPA technical yarn). The Punjab greenfield (Wazirabad, Phase I: 255,000 MTPA) commenced commercial operations in August 2025 and reached 96% utilisation by April 2026.

Financial Statements

Income Statement

Particulars (in Rs Cr)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net Revenues	**2,958**	**2,999**	**3,811**	**5,472**	**6,621**	**7,283**
Growth (%)	***-11.2***	***1.4***	***27.1***	***43.6***	***21.0***	***10.0***
Operating Expenses	2,731	2,735	3,527	4,966	5,975	6,536
EBITDA	**227**	**264**	**284**	**506**	**646**	**746**
Growth (%)	***-12.7***	***16.3***	***7.9***	***78.0***	***27.5***	***15.6***
EBITDA Margin (%)	***7.7***	***8.8***	***7.5***	***9.3***	***9.8***	***10.3***
Depreciation	44	46	93	140	164	185
Other Income	22	17	19	27	33	36
EBIT	**204**	**234**	**211**	**394**	**515**	**598**
Interest expenses	23	18	96	153	161	168
PBT	**181**	**216**	**115**	**241**	**354**	**430**
Tax	48	56	37	61	89	108
PAT	**134**	**160**	**77**	**180**	**265**	**322**
Share of Asso./Minority Int.	0	0	0	0	0	0
Adj. PAT	**134**	**160**	**77**	**180**	**265**	**322**
Growth (%)	**-12**	**20**	**-52**	**133**	**47**	**22**
EPS	15.9	19.0	9.2	21.3	31.3	38.1

Balance Sheet

Particulars (in Rs Cr) - As at March	FY24	FY25	FY26	FY27E	FY28E	FY29E
SOURCE OF FUNDS						
Share Capital	72	84	84	84	84	84
Reserves	1,203	1,724	1,788	1,968	2,232	2,554
Shareholders' Funds	**1,275**	**1,808**	**1,872**	**2,052**	**2,317**	**2,639**
Minority Interest	0	0	0	0	0	0
Total Debt	380	1,084	1,512	1,712	1,862	1,862
Other Non-Curr. Liab	9	27	43	60	74	81
Net Deferred Taxes	78	81	84	84	84	84
Total Sources of Funds	**1,741**	**3,000**	**3,511**	**3,909**	**4,337**	**4,666**
APPLICATION OF FUNDS						
Net Block & Goodwill	931	934	2,819	3,155	3,291	3,306
CWIP	141	1,587	252	52	52	52
Investments	107	0	0	0	0	0
Other Non-Curr. Assets	223	150	117	167	203	223
Total Non-Current Assets	**1,401**	**2,671**	**3,188**	**3,374**	**3,545**	**3,581**
Inventories	405	375	757	931	1,056	1,085
Debtors	126	149	217	285	290	319
Cash & Equivalents	30	31	11	45	155	299
Other Current Assets	241	303	541	675	726	748
Total Current Assets	**802**	**857**	**1,526**	**1,935**	**2,227**	**2,451**
Creditors	437	389	1,091	1,241	1,243	1,153
Other Current Liab & Provisions	26	139	112	160	193	213
Total Current Liabilities	**463**	**528**	**1,203**	**1,401**	**1,436**	**1,366**
Net Current Assets	340	329	323	534	791	1,085
Total Application of Funds	**1,741**	**3,000**	**3,511**	**3,909**	**4,337**	**4,666**

Cash Flow Statement

Particulars (in Rs Cr)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Reported PBT	181	216	115	241	354	430
Non-operating & EO items	-6	-12	-9	-37	-26	-15
Interest Expenses	23	18	96	153	161	168
Depreciation	44	46	93	140	164	185
Working Capital Change	-15	173	77	-173	-143	-149
Tax Paid	-36	-59	-49	-61	-89	-108
OPERATING CASH FLOW (a)	**192**	**383**	**322**	**263**	**421**	**511**
Capex	-213	-1,528	-587	-275	-300	-200
Free Cash Flow	-21	-1,144	-264	-12	121	311
Investments	-35	82	-50	0	0	0
Non-operating income	3	5	5	0	0	0
INVESTING CASH FLOW (b)	**-245**	**-1,441**	**-631**	**-275**	**-300**	**-200**
Debt Issuance / (Repaid)	98	704	390	200	150	0
Interest Expenses	-23	-18	-101	-153	-161	-168
FCFE	21	-372	-20	34	110	143
Share Capital Issuance	0	373	0	0	0	0
Dividend	0	0	0	0	0	0
Others	0	0	0	0	0	0
FINANCING CASH FLOW (c)	**74**	**1,059**	**289**	**47**	**-11**	**-168**
NET CASH FLOW (a+b+c)	**21**	**1**	**-20**	**34**	**110**	**143**

Key Ratios

Particulars	FY24	FY25	FY26	FY27E	FY28E	FY29E
Profitability Ratios (%)						
EBITDA Margin	7.7	8.8	7.5	9.3	9.8	10.3
EBIT Margin	6.9	7.8	5.5	7.2	7.8	8.2
APAT Margin	4.5	5.4	2.0	3.3	4.0	4.4
RoE	11.1	10.4	4.2	9.2	12.1	13.0
RoCE	13.3	10.3	6.7	11.0	13.0	13.8
Solvency Ratio (x)						
Net Debt/EBITDA	1.5	4.0	5.3	3.3	2.6	2.1
Net D/E	0.3	0.6	0.8	0.8	0.7	0.6
PER SHARE DATA (Rs)						
EPS	15.9	19.0	9.2	21.3	31.3	38.1
CEPS	24.8	27.4	20.2	37.9	50.8	60.0
BV	177.3	240.1	221.7	243.0	274.4	312.5
Dividend	0.0	0.0	0.0	0.0	0.0	0.0
Turnover Ratios (days)						
Debtor days	17	17	18	17	16	15
Inventory days	50	47	54	56	55	54
Creditors days	50	50	71	78	68	60
Valuation (X)						
P/E	30.5	25.4	52.7	22.6	15.4	12.7
P/BV	2.7	2.0	2.2	2.0	1.8	1.5
EV/EBITDA	19.1	19.5	19.6	11.4	9.0	7.6
EV / Revenues	1.5	1.7	1.5	1.1	0.9	0.8

(Source: Company, HDFC sec.)

Welspun Living Ltd

Reco BUY

Industry	Textiles
LTP (Jul 24, 2026)	162
Entry Range	160-168
Add on Dips	142-148
Base Case Target	180
Bull Case Target	197
Time Horizon	4 Quarters

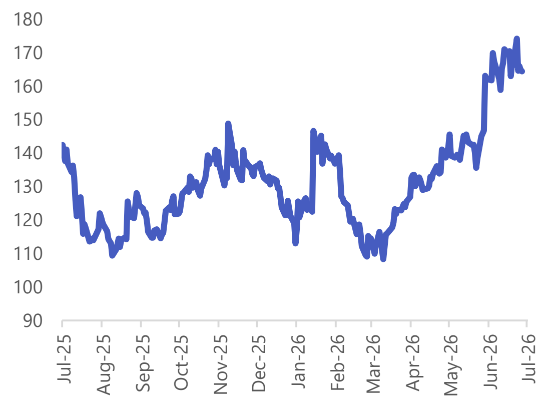
Stock Info

BSE Code	514162
NSE Code	WELSPUNLIV
Bloomberg	WLSI:IN
Equity Capital (Rs Cr)	95.9
Face Value (Rs)	1.0
Equity Share O/S (Cr)	95.5
Market Cap (Rs Cr)	15,319
Book Value (Rs)	51.3
Avg. 52 Wk Volumes	36,84,726
52 Week High	175
52 Week Low	107

Share Holding Pattern (%) (Jun'26)

Promoters	66.2
Institutions	16.2
Non-Institutions	17.6
Total	100.0

One Year Price Chart



* Refer at the end for explanation on Risk Ratings

Fundamental Research Analyst

Darshil Shah

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India's Largest Exporter of Home Textiles, Strong Foothold in the US market

Welspun Living Limited (WLL) is a differentiated textile player with structural differentiation lying in its brand equity, proprietary innovation, and global retail relationships built over four decades. WLL is the world's largest home textiles (HT) exporter from India, making every 5th towel and every 7th sheet sold in the US, supplying 17 of the top 30 global retailers, commanding #1 position in US towels and bath rugs. The company has built a strong brand positioning globally, which is difficult to replicate, through consistent quality, compliance, and investment in innovation.

FY26 was unambiguously a trough year: consolidated revenue declined 10.9% to Rs 9,399 crore (from Rs 10,545 crore in FY25), EBITDA margin compressed to 9.1% from 13.6%, and PAT fell sharply to Rs 213 crore from Rs 644 crore — driven by three concurrent headwinds: US tariff disruption impacting export volumes, the West Asia conflict affecting a meaningful Middle East revenue stream, and global retailer inventory destocking. However, even amidst a year of headwinds, WLL was able to reduce in net debt YoY through disciplined working capital management. The company exited Q4 with sequential improvement in revenue growth and an EBITDA margin of 10.2% vs 7.1% in Q3FY26, indicating that the worst seems to be behind it.

Being a global leader in Home Textiles positions the company well to capitalise on the landmark FTAs with the EU and UK and is expected to be further bolstered by the expected improvement in trade relations with the US. The management is targeting double-digit growth in FY27 on the back of structural tailwinds, a strong balance sheet, and a business that has proven its resilience.

We believe investors can buy the stock in the Rs 160-168 band (19.5x FY29E EPS) and add on dips in Rs 142-148 band (17.5x FY29E EPS) for a base case fair value of Rs 180 (21.5x FY29E EPS) and bull case fair value of Rs 197 (23.5x FY29E EPS) over the next 4 quarters.

Our Take

Strong Foothold in the World's Largest Home Textiles Market – the US

WLL's US business (~60% FY26 revenue) has been developed over more than 3 decades of consistent quality delivery, certified compliance, and proprietary product innovation that has made WLL a preferred and, in several categories, a sole-source vendor to Walmart, Target, Bed Bath & Beyond, Costco, and 12+ other major US retailers.

The 'every 5th towel sold in the US is made by WLL, reflecting the depth of SKU penetration across price points and product formats that WLL has achieved over decades. FY26 US headwinds were cyclical (tariff uncertainty causing retailer destocking, delayed ordering), not structural, as the company continued to maintain key US retailer relationships throughout the year, without losing any major customer. Order visibility is expected to improve in FY27 as tariff uncertainty wanes, retailer inventory levels normalise, and sourcing volume returns.

Home Textiles Remains the Core with Diversification through Emerging Businesses

WLL's strength remains in its HT-B2B business, which constituted nearly 70% of its FY26 revenue. The company continues to scale up its Emerging Businesses (30% FY26 revenue) – global branded, domestic retail, advanced textiles and flooring but HT remains at the core. The company's key strength is its long-standing partnership with all major global retailers that it has built through consistent product quality, industry-leading innovation and the ability to deliver at scale. Now, the company is leveraging its distribution scale to drive diversification through rapidly growing Advanced Textiles and Flooring businesses.

Growing the Domestic Branded Business to Rs 1,000 crore+ ARR

WLL's domestic branded consumer business — operating under the 'Welspun' (mass-premium) and 'Spaces' (premium) brand portfolio was the fastest-growing vector in FY26. This business distributes across 22,000+ outlets in 500+ towns, with e-commerce contributing ~19% of domestic revenue and growing fastest among all channels. The domestic business is structurally different from WLL's B2B export business in three important ways: (a) it commands significantly higher realisations and margins as a branded consumer play; (b) it is insulated from US tariff and global demand cycle risks; and (c) it is still at ~10–11% of total revenue, implying a multi-year growth runway as Indian household spending on branded home textiles increases. The Indian home textiles market is growing at approximately 12–15% annually, and the organised branded segment is expanding at nearly double the market rate as consumers trade up from unbranded regional products.

Proprietary Innovations and Patented Technologies driving Wallet Share Gains

At 22% innovation revenue contribution (FY26), WLL generates more incremental revenue per unit of R&D; investment than any listed textile company in India. The HygroCotton technology alone has delivered USD 1 billion+ in cumulative global sales over 15 years—a technology licensed exclusively to WLL and generating a sustained pricing premium of 20–35% over equivalent non-innovative products. Wel-Trak 2.0, the blockchain-based fibre traceability platform, is increasingly a mandatory vendor requirement from large US and European retailers committing to supply chain transparency under ESG frameworks — and WLL is one of the few suppliers globally that can offer this capability at scale.

Diversifying in Adjacencies through Pillow World (Pillow) Acquisition

Acquisition of the Nevada pillow facility (commenced partial production of 4.5 million pieces in March 2026) is WLL's entry into the US sleep ecosystem category — a deliberate strategy to expand from bath and bed textiles into the adjacent Rs 15,000+ crore opportunity in pillows, mattress pads, and sleep accessories, where US consumers spend significantly more per unit and private-label concentration is lower.

Valuation & Recommendation

WLL has built a strong moat through its proprietary technology, patented product innovation, long-term global retailer relationships, and a domestic branded consumer business that is still early in its growth curve. Being a global leader in Home Textiles, enables it to take the strongest advantage of the sectoral tailwinds (FTA access, China+1 sourcing shift, India's cost advantage) that lie ahead.

We believe that the worst seems to be behind in terms of both demand slowdown (primarily global factors) and margin impact. The company has several strengths, such as global retail relationships, a resilient innovation portfolio, a growing domestic brand business, and a strong balance sheet, that are not reflected in its current price.

We expect growth normalization in FY27, driven by US volume normalisation and domestic brand growth. Margins are expected to recover gradually as global trade opens up and supply-side constraints ease out. We factor in revenue/EBITDA/PAT CAGR of 12.3%/24.3%/57.6% between FY26-29E as operating leverage returns with volume, FTA pricing benefits flow through, automation capex reduces unit labour cost and interest burden reduces with debt repayment. The Rs 252 crore buyback at Rs 175 provides a near-term price floor signal.

We believe investors can buy the stock in the Rs 160-168 band (19.5x FY29E EPS) and add on dips in Rs 142-148 band (17.5x FY29E EPS) for a base case fair value of Rs 180 (21.5x FY29E EPS) and bull case fair value of Rs 197 (23.5x FY29E EPS) over the next 4 quarters.

Financial Summary

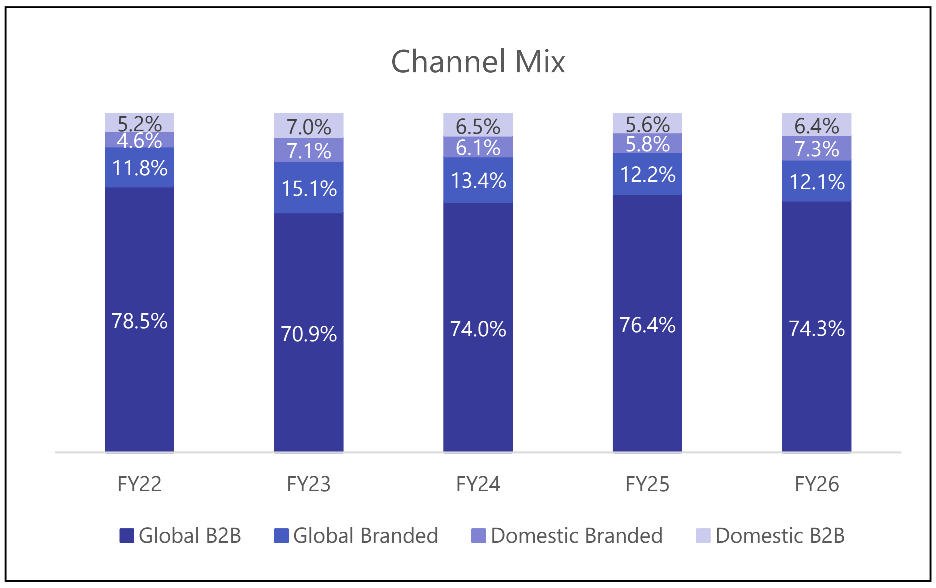
Particulars (in Rs Cr)	Q4FY26	Q4FY25	YoY-%	Q3FY26	QoQ-%	FY24	FY25	FY26	FY27E	FY28E	FY29E
Operating Income	2,435	2,646	-8.0%	2,262	7.7%	9,679	10,545	9,399	11,241	12,590	13,849
EBITDA	249	316	-21.1%	160	55.4%	1,369	1,298	793	1,068	1,297	1,523
APAT	104	132	-21.3%	0	*NM*	681	639	223	446	621	800
Diluted EPS (Rs)	1.1	1.4	-22.3%	0.0	*NM*	7.1	6.7	2.3	4.7	6.5	8.4
RoE-%						15.8	13.7	4.6	8.7	11.0	12.7
P/E (x)						23.0	24.2	69.3	34.7	24.9	19.3
EV/EBITDA (x)						12.4	13.4	21.1	15.6	12.5	10.3

Segment Mix	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	Q2FY26	Q3FY26	Q4FY26
Revenue (in Rs Cr)												
Home Textiles	2,038	2,352	2,251	2,422	2,387	2,713	2,282	2,453	2,123	2,322	2,175	2,320
% of net sales	*90.1%*	*90.7%*	*90.1%*	*91.9%*	*91.3%*	*91.6%*	*91.4%*	*92.6%*	*91.6%*	*92.8%*	*92.7%*	*92.5%*
Flooring	225	243	246	213	228	250	216	196	194	181	172	189
% of net sales	*9.9%*	*9.3%*	*9.9%*	*8.1%*	*8.7%*	*8.4%*	*8.6%*	*7.4%*	*8.4%*	*7.2%*	*7.3%*	*7.5%*
EBITDA (in Rs Cr)												
Home Textiles	312	359	347	364	348	374	286	281	223	152	160	244
EBITDA Margin	*15.3%*	*15.3%*	*15.4%*	*15.0%*	*14.6%*	*13.8%*	*12.5%*	*11.5%*	*10.5%*	*6.6%*	*7.3%*	*10.5%*
Flooring	18	20	20	18	21	22	17	14	16	4	3	6
EBITDA Margin	*0.9%*	*0.9%*	*0.9%*	*0.8%*	*0.9%*	*0.8%*	*0.7%*	*0.6%*	*0.8%*	*0.2%*	*0.1%*	*0.3%*

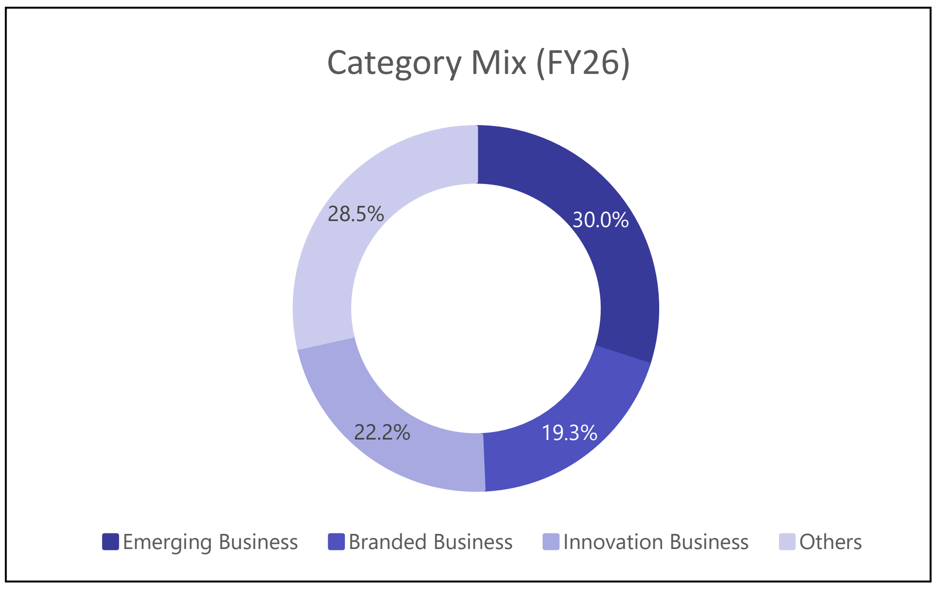
(Source: Company, HDFC sec)

Story in Charts

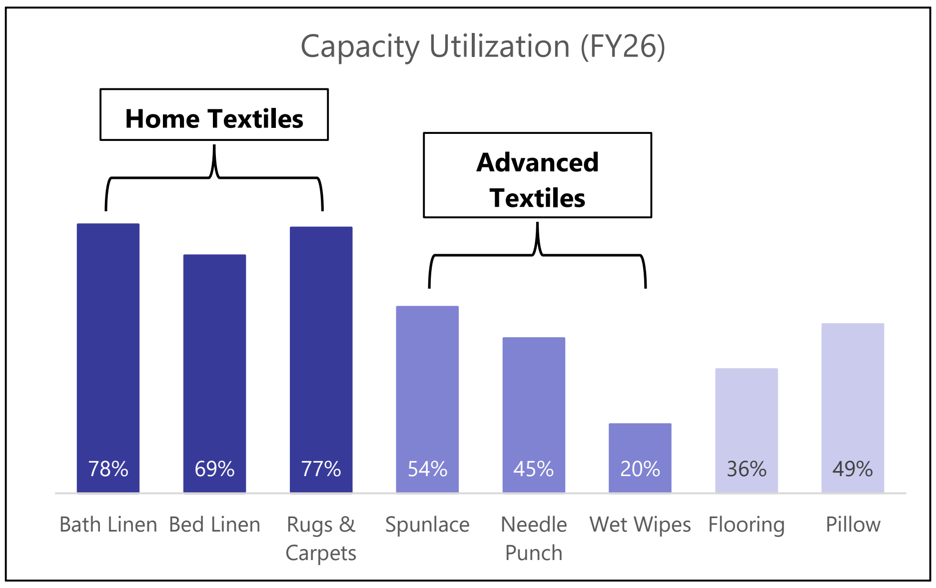
Exports, especially B2B are the mainstay revenue drivers



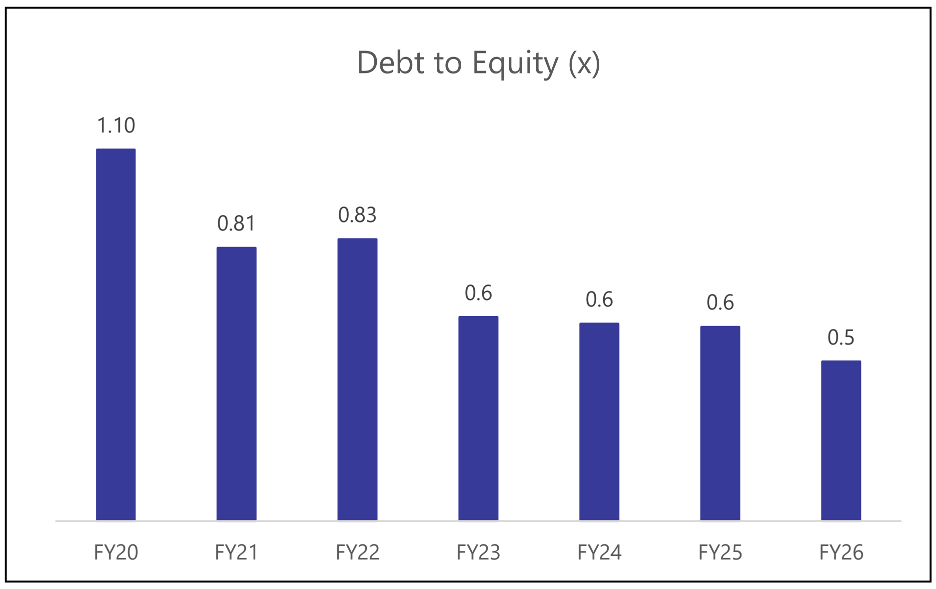
Emerging and Innovation business are key growth drivers



Room to improve capacity utilization as demand gets a boost



On a journey to substantial deleveraging



(Source: Company, HDFC sec)

India's Leading Home Textiles Exporter

Key Rationale

A Global Leader with Strong Retail Relationships

- Over the past 3 decades, WLL has established itself as a global leader in home textiles, offering comprehensive solutions across bed, bath and flooring. The company's diversified portfolio spans bed linen, bath linen, flooring solutions, and advanced textiles, serving customers across more than 60 countries.
- Backed by 4 advanced manufacturing facilities in India and the US, patented technologies, and proprietary innovations like Hygrocotton and Wel-Trak 2.0, along with vertical integration, WLL offers a differentiated value proposition to its long-standing customers through better quality control, cost efficiencies, and faster turnaround times.
- WLL has a proven track record of product consistency, rapid replenishment, compliance with retailer sustainability mandates (LEED, OEKO-TEX, GOTS, BCI), and proprietary innovation serving its clients across multiple categories and multiple formats.
- WLL enjoys deep, long-standing relationships with marquee global retailers and private labels, positioning it as a preferred strategic partner with high share of wallet and recurring order visibility, particularly in the US and European markets.
- The company has been steadily moving up the value chain through branded offerings and differentiated product categories, which supports margin expansion and reduces dependence on commoditized segments.
- Strong design-to-shelf capabilities, supported by in-house design studios and trend forecasting, enable faster product innovation cycles and alignment with evolving consumer preferences across geographies
- A calibrated focus on sustainability and traceability, including investments in ESG-led processes and digital traceability platforms, strengthens its positioning with global retailers increasingly prioritizing responsible sourcing.

Long standing partnerships with global retailing giants built through consistent quality and product innovations

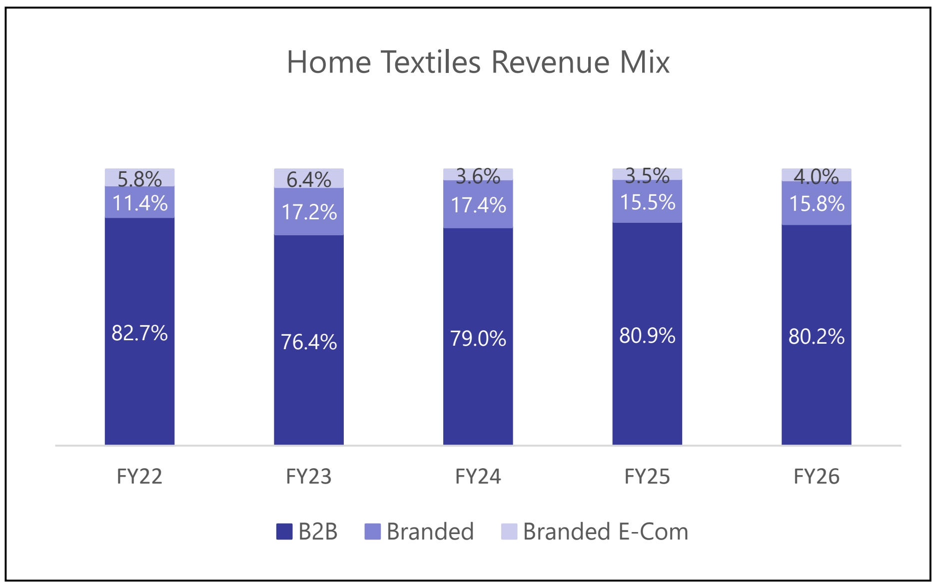
(Source: Company, HDFC sec.)

World's largest Home Textiles manufacturer with strong foothold in the US

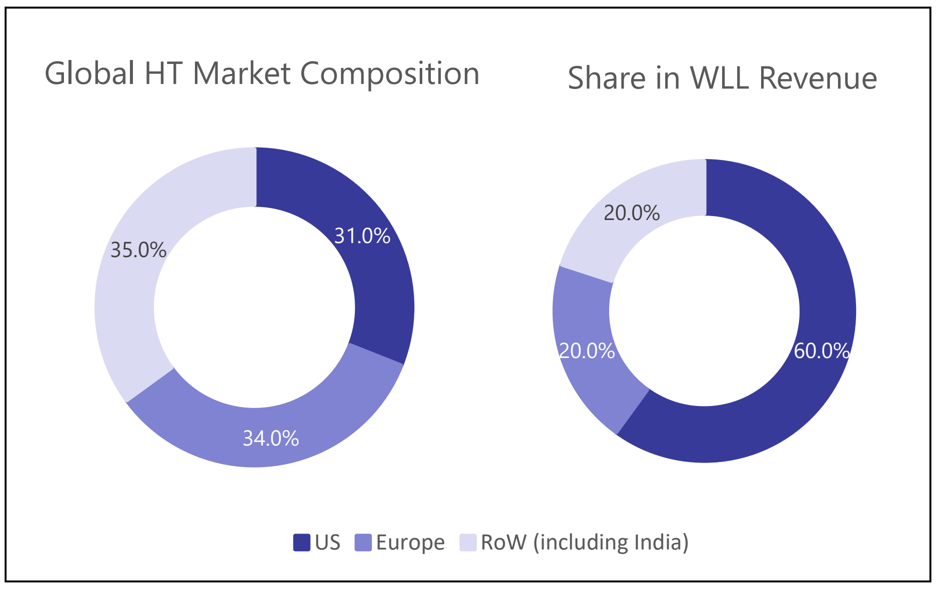
Maintaining Pole Position in Home Textiles

- For over 3 decades, WLL has sustained its position as India's largest exporter of home textiles and the leading supplier to the US market. WLL has developed leadership in HT exports across 3 offerings – Bath Linen (96,400 MT Annual Capacity), Bed Linen (108 Mn mtrs Annual Capacity) and Rugs & Carpets (12 Mn sq m Annual Capacity).
- WLL's product holds significant market share across major export regions of US and UK. US remains the single largest home textile market worldwide and WLL has a strong foothold in the region. US contributes ~60% to its annual revenues. UK and Europe are the second largest contributors (~18% of revenue), and WLL's products are well recognised in these regions for their quality and innovation.
- Asia-Pacific is the fastest-growing region due to urbanisation, rising disposable incomes and organised retail expansion. On the domestic front, WLL has grown its HT business by ~1.8x over the last 5 years and remains well positioned to capture an organised addressable HT market of ~Rs 15,000 crores.
- WLL aims to retain leadership in the US HT exports (#1 player in the US in Towels and Bath Rugs) by strengthening its footprint in the US by building on-shore capabilities and continuing to diversify across both owned and licensed brands.
- To further strengthen its leadership in the U.S. home textiles market, Welspun Living is expanding into higher-value categories such as jacquard and fashion towels in bath textiles and sleep-filled bedding (pillows and utility bedding), while continuing to grow its portfolio of owned and licensed brands. These initiatives target large addressable U.S. markets—including an estimated US$3 billion beach & fashion towel market and a US$8 billion wholesale home textiles opportunity—to drive wallet share expansion and reinforce its #1 market position.
- WLL also aims to increase market share in UK and Europe and capture the potential opportunity in these regions by expanding relationships with leading retailers through a combination of private-label offerings, owned brands, and innovative product portfolios. The company is leveraging its established leadership in the UK, entering newer European markets, and benefiting from growing consumer demand for sustainable, premium home textiles.
- Domestically, WLL is accelerating growth in HT through its branded portfolio, including Spaces, Welspun and Christy by expanding distribution across general trade, modern retail, e-commerce and exclusive brand outlets.

Branded portfolio continues to gain traction



Expansion opportunities beyond the US



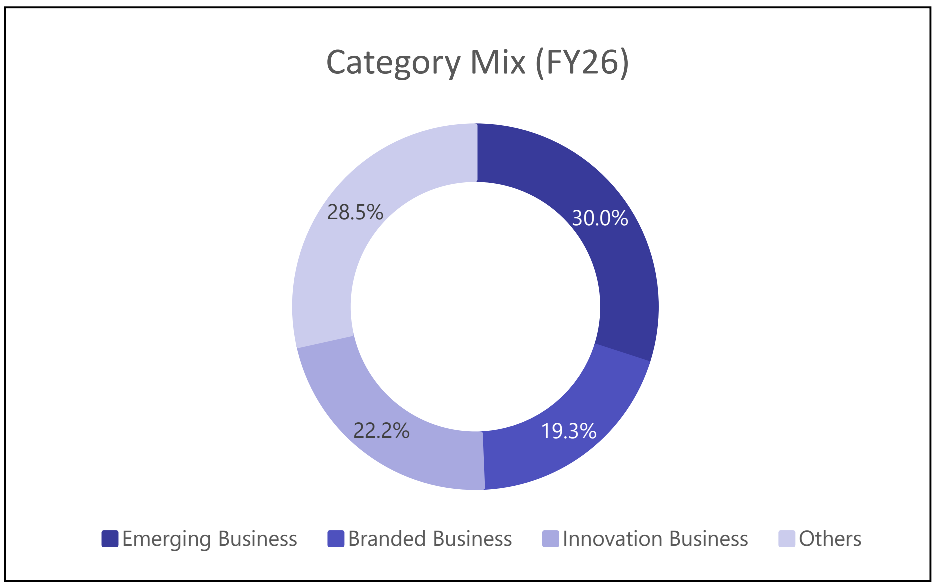
(Source: Company, HDFC sec.)

Emerging Businesses Starting to Add Meaningful Revenue

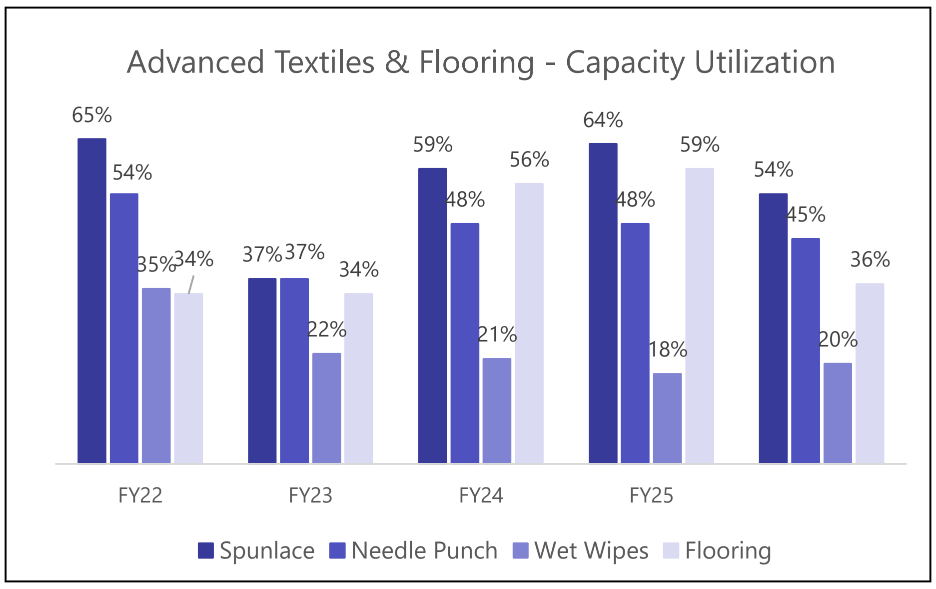
Scaling up Emerging businesses through diversification and value added offerings

- Emerging businesses (30% FY26 revenue) consisting of global branded, domestic retail, advanced textiles and flooring are rapidly becoming a meaningful second growth engine for WLL.
- The company has consciously expanded beyond its core Home Textiles franchise into Advanced Textiles and Flooring, positioning these as long-term value creators rather than adjacent product lines. Together, they contributed ~13.1% to WLL's FY26 revenue as compared to ~10.4% in FY22.
- **Advanced Textiles** has evolved from a niche business to a scalable platform. Over the past few years, WLL has invested in nonwoven technologies and application-led products spanning medical, hygiene, industrial, automotive, filtration and home-care segments. The portfolio has expanded from commodity nonwovens to higher-value sustainable and biodegradable solutions, including wet wipes, cosmetic sheet masks and customized spunlace fabrics, improving the business' growth potential and margin profile.
- **Flooring** is transitioning into a branded solutions business. Initially built around institutional and export opportunities, the flooring business has expanded its product portfolio across carpet tiles, broadloom carpets, click-and-lock flooring and artificial grass, while simultaneously building domestic distribution. The company has established a pan-India retail network with 50+ distributors and over 500 retail outlets, reflecting a strategic shift from a pure manufacturing model to a solutions-led and branded business.
- Growth opportunities are supported by multiple structural demand drivers. Advanced Textiles is benefiting from rising demand for sustainable nonwovens, healthcare and hygiene products, industrial filtration and specialty applications.
- Flooring, meanwhile, is leveraged to increasing commercial real estate, hospitality, office refurbishments, premium residential demand and organized retail. These markets are structurally less penetrated than traditional home textiles, providing a longer runway for growth.
- The company has identified various strategic priorities in Flooring such as capturing the significant growth potential of 20%+ CAGR over the medium term in Soft Flooring, regional diversification within EU & UK and also across Australia and New Zealand and scaling up of Hospitality and Commercial Flooring segments.
- Within Advanced Textiles, the focus remains on Sustainable Value-Added products and transformation from Material Supplier to End-to-End Solutions Partner in Apparel, Safety, and Filtration.

Emerging business expected to be the next growth vector



Established capacity, room for driving efficiency



(Source: Company, HDFC sec.)

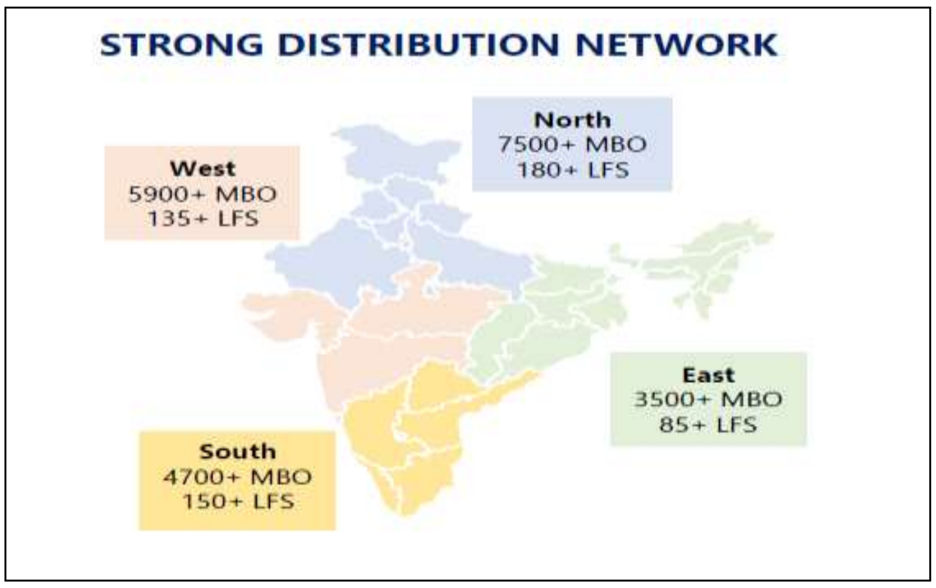
Strengthening Presence in the Sleep Category through Acquisition of Pillow World

- In October 2023, WLL acquired a 100% stake in Pillow World (Pillow), a manufacturer of pillows, cushions and related filled products, for an enterprise value of approximately Rs 125 crore. The acquisition marked a strategic step in expanding the company's portfolio beyond bed and bath textiles into the broader sleep solutions market.
- Complementing WLL's vision to become an end-to-end home and lifestyle solutions provider, Pillow's represent a natural adjacency to the company's existing bedding portfolio, enabling WLL to offer consumers a more comprehensive sleep ecosystem encompassing bed linen, mattress accessories and filled products.
- Rising consumer focus on sleep quality, wellness and premium home products is driving demand for specialized pillows across memory foam, microfiber and other value-added categories, creating attractive cross-selling opportunities.
- By adding pillows to its product basket, WLL can increase wallet share with existing retail and institutional customers while strengthening its presence in modern trade, e-commerce and branded home furnishing stores. The acquisition also enhances customer engagement across retail channels.
- Pillow acquisition represents a significant opportunity in upscaling across the $1.5 bn US sleep market size. Sleep pillows constituted 46% of Utility bedding sales in the US in 2024 and were the 2nd most sold (by units) category following bath towels, with more than 300 mn units sold in 2024.

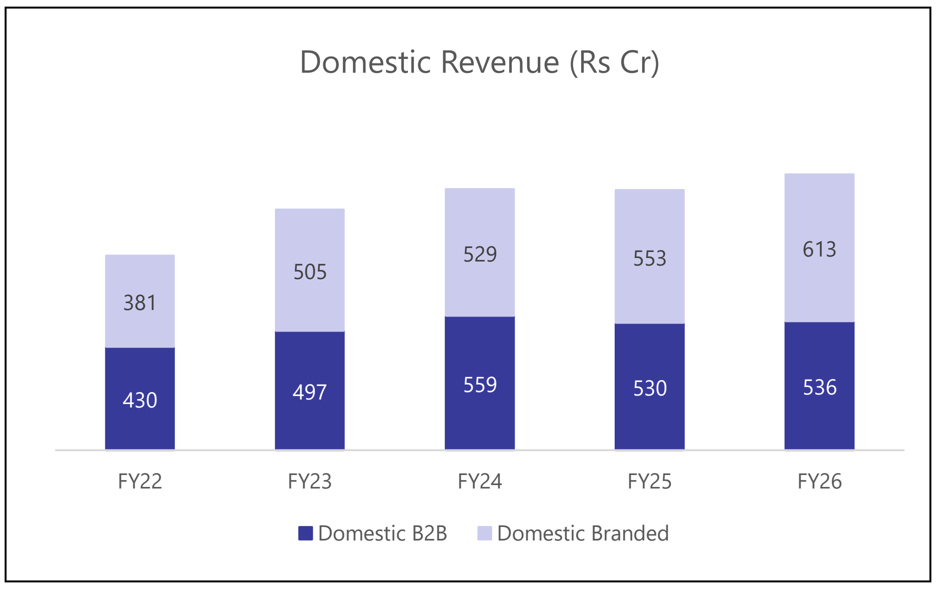
Doubling Down on the Domestic Branded Business

- WLL's India business (~13% of FY26 revenue) grew 29.2% in Q4FY26, the fastest-growing segment in the portfolio and the most structurally attractive from a margin and longevity standpoint. With Rs 1,000 crore ARR crossed, distribution across 22,000+ outlets, and e-commerce at ~19% of domestic revenue, WLL has already built the platform and aims to rapidly scale it up.
- India's branded home textiles market is estimated at Rs 12,000–15,000 crore and growing at 12–15% annually as: (a) urbanisation drives consumers away from unorganised local textile markets towards branded retail; (b) organised retail (modern trade and e-commerce) penetrates Tier 2/3 cities; and (c) rising disposable income increases per-household spend on home furnishing.
- WLL's **'Spaces'** (premium) and **'Welspun'** (mass-premium) dual-brand architecture is positioned to capture both ends of this premiumisation curve.
- In the medium term, WLL eyes a 15-20% CAGR growth roadmap with an aim to grow domestic branded revenues from Rs 613 crores in FY26 to ~Rs 1,000 crores over the next 3-4 years, 2x the market growth rate.
- WLL aims to achieve this by expanding 'Welspun' Distribution by 2X+Market share in Hospitality, investment in brand awareness, premiumization through 'Spaces' and portfolio expansion in the Flooring business. The company aims to use its manufacturing scale to capture the domestic opportunity through reach expansion, premiumization and improved brand recalls, leading to improved margins.

Enhancing reach to capture domestic market opportunity



Scaling up the fast-growing domestic branded business



(Source: Company, HDFC sec.)

ESG as a Revenue Enabler, Not Just a Compliance Cost

- WLL's S&P; Global ESG score of 90/100 (Global #1 in textiles) is not an award — it is a commercial certification that unlocks procurement relationships with major global retailers and brand owners who have made binding public commitments to sustainable sourcing.
- H&M, Inditex, M&S, and Primark have all announced 100% sustainably sourced material targets by 2025–2030, and their procurement teams actively prefer vendors with verified, auditable ESG credentials over those with self-declared claims.
- WLL's sustainability infrastructure — 100% sustainable cotton sourcing, Zero Liquid Discharge plants, 95%+ process water recycling, Wel-Trak 2.0 traceability, and the CleanMax renewable energy acquisition for Vapi — gives it a competitive position in sustainable procurement that is estimated to command 8–12% pricing premium on qualified contracts.

Risks & Concerns

- **US Tariff risk:** With ~60% of revenues from the US, any escalation or sustained maintenance of the 26% reciprocal US tariff on Indian goods would structurally impair WLL's revenue and margin recovery trajectory. WLL's dominant US exposure means the India-US trade negotiation outcome remains a key monitorable, heading in FY27.
- **Margin recovery may be delayed:** Recovery in EBITDA margins depends on: (a) US volume recovery to absorb fixed costs; (b) automation capex beginning to reduce unit labour costs; and (c) domestic branded business mix improving. All three are dependent on external demand conditions.
- **Flooring Segment continues to witness structural headwinds:** WLL's Flooring segment witnessed EBITDA margin contraction from 8.3% in FY25 to 3.9% in FY26, driven by subdued real estate and hospitality demand in its target markets. This segment remains a drag on consolidated profitability whether the margins improve as the segment scales up, remains a key monitorable.
- **Currency Risk:** Approximately 80% of WLL's revenues are in USD and GBP. Any sustained Rupee appreciation versus these currencies — whether from RBI intervention, capital inflows, or a weakening US Dollar environment — compresses reported INR revenues and margins without any change in operational performance. WLL hedges a portion of its forex exposure, but residual currency risk remains a persistent P&L variable.

Company Description

Welspun Living Limited (WLL) is a part of the Welspun world—one of India's fastest-growing global conglomerates with diversified businesses spanning line pipes, home textile products, infrastructure, warehousing, steel, oil & gas, advanced textiles and flooring solutions. WLL is a global leader in home textiles and offers a wide range of products across bed, bath and flooring categories. With a presence in over 60+ countries and manufacturing hubs in Anjar, Vapi, Telangana and Ohio (U.S.).

WLL's product portfolio spans bath linen (towels, bath rugs, robes), bed linen (sheets, pillowcases, comforters), flooring solutions (carpet tiles, area rugs, broadloom), and advanced textiles (spunlace, needle punch, wet wipes). WLL supplies to 17 of the top 30 global retailers in 60+ countries. In India, it operates under the 'Welspun' and 'Spaces' brands through 22,000+ outlets across 500+ towns. WLL holds 50 patents and carries the world's highest S&P Global ESG score in textiles at 90/100.

Financial Statements

Income Statement

Particulars (in Rs Cr)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Net Revenues	**9,679**	**10,545**	**9,399**	**11,241**	**12,590**	**13,849**
Growth (%)	***19.6***	***8.9***	***-10.9***	***19.6***	***12.0***	***10.0***
Operating Expenses	8,310	9,247	8,606	10,173	11,293	12,326
EBITDA	**1,369**	**1,298**	**793**	**1,068**	**1,297**	**1,523**
Growth (%)	***81.9***	***-5.1***	***-38.9***	***34.6***	***21.4***	***17.5***
EBITDA Margin (%)	***14.1***	***12.3***	***8.4***	***9.5***	***10.3***	***11.0***
Depreciation	394	373	394	427	440	447
Other Income	146	152	69	112	126	138
EBIT	**1,120**	**1,077**	**468**	**753**	**983**	**1,215**
Interest expenses	153	217	161	150	146	139
PBT	**967**	**860**	**287**	**602**	**837**	**1,076**
Tax	294	216	75	152	211	271
PAT	**673**	**644**	**213**	**451**	**626**	**805**
Share of Asso./Minority Int.	8	-4	-8	-5	-5	-5
Adj. PAT	**681**	**639**	**204**	**446**	**621**	**800**
Growth (%)	**7**	**6**	**2**	**4**	**5**	**6**
EPS	7.1	6.7	2.1	4.7	6.5	8.4

Balance Sheet

Particulars (in Rs Cr) - As at March	FY24	FY25	FY26	FY27E	FY28E	FY29E
SOURCE OF FUNDS						
Share Capital	97	96	96	96	96	96
Reserves	4,419	4,725	4,821	5,248	5,840	6,545
Shareholders' Funds	**4,516**	**4,821**	**4,917**	**5,344**	**5,936**	**6,641**
Minority Interest	97	100	61	66	71	76
Total Debt	2,632	2,762	2,315	2,315	2,315	2,315
Other Non-Curr. Liab	489	532	416	498	558	613
Net Deferred Taxes	435	454	445	445	445	445
Total Sources of Funds	**8,170**	**8,669**	**8,154**	**8,668**	**9,325**	**10,090**
APPLICATION OF FUNDS						
Net Block & Goodwill	3,813	4,022	4,460	4,483	4,393	4,222
CWIP	49	380	269	269	269	269
Investments	916	570	892	892	892	892
Other Non-Curr. Assets	364	425	530	634	710	781
Total Non-Current Assets	**5,142**	**5,398**	**6,151**	**6,278**	**6,264**	**6,164**
Inventories	2,072	2,183	2,171	2,472	2,663	2,815
Debtors	1,255	1,645	1,312	1,540	1,725	1,897
Cash & Equivalents	201	284	138	232	649	1,279
Other Current Assets	881	797	683	816	914	1,006
Total Current Assets	**4,408**	**4,909**	**4,304**	**5,060**	**5,951**	**6,997**
Creditors	909	1,123	1,377	1,565	1,653	1,709
Other Current Liab & Provisions	471	515	924	1,105	1,238	1,361
Total Current Liabilities	**1,380**	**1,638**	**2,301**	**2,670**	**2,891**	**3,071**
Net Current Assets	3,028	3,271	2,003	2,390	3,061	3,927
Total Application of Funds	**8,170**	**8,669**	**8,154**	**8,668**	**9,325**	**10,090**

Cash Flow Statement

Particulars (in Rs Cr)	FY24	FY25	FY26	FY27E	FY28E	FY29E
Reported PBT	967	860	287	602	837	1,076
Non-operating & EO items	-370	-346	-234	-22	-16	-15
Interest Expenses	153	217	161	150	146	139
Depreciation	394	373	394	427	440	447
Working Capital Change	-501	-247	662	-293	-254	-236
Tax Paid	-111	-170	-96	-152	-211	-271
OPERATING CASH FLOW (a)	**533**	**688**	**1,175**	**714**	**941**	**1,139**
Capex	-259	-695	-449	-450	-350	-275
Free Cash Flow	274	-7	726	264	591	864
Investments	-288	413	-335	0	0	0
Non-operating income	338	340	435	0	0	0
INVESTING CASH FLOW (b)	**-209**	**57**	**-348**	**-450**	**-350**	**-275**
Debt Issuance / (Repaid)	138	-87	-686	0	0	0
Interest Expenses	-153	-219	-161	-150	-146	-139
FCFE	309	440	-20	113	445	726
Share Capital Issuance	-242	-346	0	0	0	0
Dividend	-12	-12	-208	-19	-29	-96
Others	0	0	80	0	0	0
FINANCING CASH FLOW (c)	**-269**	**-663**	**-975**	**-170**	**-174**	**-234**
NET CASH FLOW (a+b+c)	**55**	**82**	**-148**	**94**	**417**	**630**

Key Ratios

Particulars	FY24	FY25	FY26	FY27E	FY28E	FY29E
Profitability Ratios (%)						
EBITDA Margin	14.1	12.3	8.4	9.5	10.3	11.0
EBIT Margin	11.6	10.2	5.0	6.7	7.8	8.8
APAT Margin	7.0	6.1	2.4	4.0	4.9	5.8
RoE	15.8	13.7	4.6	8.7	11.0	12.7
RoCE	16.4	14.6	6.3	10.1	12.4	14.1
Solvency Ratio (x)						
Net Debt/EBITDA	1.8	1.9	2.7	2.0	1.3	0.7
Net D/E	0.5	0.5	0.4	0.4	0.3	0.2
PER SHARE DATA (Rs)						
EPS	7.1	6.7	2.3	4.7	6.5	8.4
CEPS	11.1	10.6	6.5	9.1	11.1	13.1
BV	46.8	50.4	51.5	55.9	62.1	69.5
Dividend	0.1	1.7	0.1	0.2	0.3	1.0
Turnover Ratios (days)						
Debtor days	42	50	57	46	47	48
Inventory days	76	74	85	75	74	72
Creditors days	34	35	49	48	47	44
Valuation (X)						
P/E	23.0	24.2	69.3	34.7	24.9	19.3
P/BV	3.5	3.2	3.1	2.9	2.6	2.3
EV/EBITDA	12.4	13.4	21.1	15.6	12.5	10.3
EV / Revenues	1.8	1.6	1.8	1.5	1.3	1.1
Dividend Yield (%)	0.1	1.0	0.1	0.1	0.2	0.6
Dividend Payout (%)	1.4	25.4	4.3	4.3	4.6	11.9

(Source: Company, HDFC sec.)

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