"Arvind Limited

Q1 FY '25 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Arvind Limited Q1 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Satya Prakash Mishra. Thank you, and over to you, sir.

Satya Prakash Mishra: Good afternoon, everyone, and thank you for participating in today's call to discuss the financial results for the first quarter of a new financial year 2024-25 of Arvind Limited.

Joining me today is Mr. Punit Lalbhai, the Vice Chairman and Director in Board; Mr. Jayesh Shah, Director in Board and Group CFO; Mr. Susheel Kaul, our Managing Director and President Textile Business; and we also have Mr. Nigam Shah, our Chief Financial Officer. The financial results and related presentations were uploaded to our website, hope you had time to go through it.

Let me start by reiterating the guidance that we have given in FY '24 and for the full year of FY '25, whereby we have said that we will look forward to a double-digit growth in FY '25, which was backed by better demand scenario from our key customer segments and a strong order book position for the first two quarters that we looked at that time. Also, important to remember that we have guided our H1 FY '25 to be about 40% of our annual plan, which is in line with the seasonality trend of our business.

And as anticipated, we have started out strongly in the first one and half months of the year, but with two unrelated events happening together, one being a planned event of general election and the other one was an unprecedented and unforeseeable strike that happened at our Santej facility, which took about 21 days of production in that facility. While we get notified yourself and the Stock Exchanges about the impact, the financial and non-financial impact was difficult to recover from in the short time left during the quarter after the strike was called off.

The strike induced production loss resulted in an estimated lowering of revenue of about INR200 crores and an EBITDA of INR60 crores, respectively, during the quarter one of FY '25. However, with respect to the business units that is not impacted during the strike, they had shown tremendous resilience and reported a good set of numbers, particularly our Garmenting unit.

Now coming to the results during the quarter one of FY '25, as discussed above, the workers unrest has led to a significant dent in our financial performance, and hence, the reported numbers are not comparable to any of the earlier period. However, we have still been holding on to a baseline that we have reported a resilient quarter 1, and we had silver linings in terms of our operational and marketing performance. In terms of volume growth, Garmenting division has reported a 25% volume growth, and we have new customers and new categories that we have added during this quarter. This is in line with our strategy of One Arvind and verticalization.

Overall, the revenue for the quarter stood at INR1,831 crores with an EBITDA of INR150 crores. While we maintained our gross margin at all our businesses, EBITDA margin had a significant reduction due to decline in volume and resultant under-absorption of elevated overhead. We are taking measures to optimize our overhead and wherever possible, we will safeguard our margin in quarters ahead. EBITDA margin was at about 8.2%, which includes approximately INR11 crores of increased cost via airfreight and additional cost of workers, which we incurred to mitigate the recoil effects of this strike.

Please note that quarter one numbers that I've highlighted includes revenue and EBITDA on account of sale of land, our Forreste Project of INR47 crores and INR10 crores, respectively. There is also an impact of INR10 crores of donation that is included in these numbers, which means, hypothetically speaking, negating the impact of strike, we would have reported a good set of numbers in terms of revenue and EBITDA in quarter one FY '25. Profit after tax during the quarter gone-by was in line with the revenue that we have just reported and stood at INR39 crores.

Coming to segment-wise performance during the quarter. Textile revenues stood at INR1,350 crores with an EBITDA of INR99 crores, translating into an EBITDA margin of 7.4%. The said strike had an impact of INR130 crores and INR45 crores in terms of EBITDA. As far as the AMD division is concerned, it was also partially impacted by the above said strike and the largest subsegment of AMD i.e., Human Protection, which is dependent on Woven for its fabric requirements had impact. Also, important to note that due to the election season, some of the segments like Mass Transport had shifting of orders to quarter two and three.

AMD reported a revenue of INR329 crores with an EBITDA margin of 13.9%. The strike had an impact of roughly about INR70 crores in terms of revenue and INR15 crores in terms of EBITDA on AMD business. Coming to capital management. As guided earlier, this year was to be a year of high capex because of our growth for augmenting capacity in our Garmenting and AMD division. However, we have slowed down some of our capex plans during the impacted period. But we have since restarted our allocation, and we are confident that we will hit the desired allocation for the full year.

In terms of debt numbers, in spite of a difficult quarter, we are still being able to maintain our momentum in terms of debt reduction and reduced our gross debt by INR55 crores. Our long-term debt has actually been increased during the period because we have tried to build up a war chest to take care of unfolding situation. We have taken a total borrowing of INR150 crores of long-term debt, of which we have actually paid back INR100 crores.

With this, I conclude my remarks. I now invite Mr. Punit Lalbhai to share his perspective on the business. Over to you, sir.

Punit Lalbhai: Thank you, Satya, for very comprehensive remarks, leaves very little for me to say. But I'd like to sort of qualify some of the things that Satya has said, in that, it was a very difficult quarter. And I think that the resilience and hard work that the teams have shown can only be -- I mean, it was very heartening to see the efforts that the entire team put in to minimize the sort of impacts of this unfortunate incident.

We also would like to put on record and thank our suppliers and customers who worked very closely with us to manage this situation without lasting long-term damage. So, while we are coming out of this quarter, seeing it as rather challenging from the strike perspective, from the perspective of elections, from some macroeconomic trends that are going on in the world, there is also a sense of optimism because the demand that fuelled our optimism at the beginning of the year is still very strong. The coming quarters look quite exciting in terms of volume growth, in terms of new customer addition and in terms of our capex plan. So, we still have a positive sort of outlook for the rest of the year, and we will try our best to partially make up for the impact of the strike.

If I have to speak about the different segments, on Textile, I was particularly pleased that despite connectivity issues between fabric and garment, the Garmenting team was able to deliver 9 million-plus garments despite delays in fabrics caused by the strike. On the side of AMD, the volume growth looks robust, and it is a segment where we feel that some makeup should be possible as we move forward in the year.

On many of our strategic agendas, we are still going strong. capex, as Satya has said, we will stick to our plan. On sustainability, we are still investing. We received an A- rating for water by the Carbon Disclosure Project, which is the highest in India. So, it's quite prestigious that an Indian company has broken into the A- category as far as rankings are concerned. And we also have plans to decarbonize further, be it on the electrical front and -- or be it on the thermal front as well.

I think that the sort of commentary on the overall situation. Difficult quarter, but outlook is positive. I'd love to throw the floor open for questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Dolly Choudhary from Niveshaay.

Dolly Choudhary: On the capex front, as we said, we have slowed down a little bit. And I believe we have done INR260 crores of capex in FY '24. So, what is the expectation for this year going forward?

Satya Prakash Mishra: The capex plan will remain unchanged. It is just a temporary slowdown of around a month, but we've restarted everything. So we should still hit that INR450 crores kind of figure that we had guided at the beginning of the year.

Dolly Choudhary: Okay. Stores that we have approximately 150. How many are you planning to open this year?

Punit Lalbhai: So, we should be coming close to 200 stores by the end of the year. I think we are at 140-something maybe. So between 40 to 50 stores should be opened this year.

Dolly Choudhary: For the segment that we have Arvind Envisol, what revenue have we contributed from Arvind Envisol this quarter?

Punit Lalbhai: So, this quarter, it's around INR60 crores this quarter.

Dolly Choudhary: And what is the expectation going forward for Arvind Envisol?

Punit Lalbhai: So, last year, contributed about INR260 crores. We should be well over INR300 crores. So, we should be around anywhere between INR310 crores and INR350 crores is where we see the year closing, depending on how we close the project business.

Dolly Choudhary: Sir, like what is the outlook on Bangladesh situation as of now? Is it having an impact on our business operations?

Punit Lalbhai: So there have been some small temporary impacts of material crossing over the border and a communication slowdown, but we don't see any long-term effects of this situation as of now.

Moderator: Sorry to interrupt, sir. There's a lot of echo from your side, we have to disconnect your line and reconnect again. Ladies and gentlemen, we have the management connection back on call.

Punit Lalbhai: Yes. So sorry about that. I hope my voice is coming through clearly now. I was answering the Bangladesh question. So as of now, no major impact. But as everyone knows, the situation needs to be monitored closely, and we'll keep the market abreast if there are any significant ramifications of what's happening in Bangladesh. But as of now, we don't see any long-term consequences.

Dolly Choudhary: Okay, sir. And just one more request. Usually, the company presents the return on capital employed in the presentation, and it was not there this quarter. So, can you please provide those figures for Textile and AMD division?

Satya Prakash Mishra: See, this is a quarter where we don't publish our balance sheet. So, you'll have to wait for quarter two where we'll publish our balance sheet, and the result and ratio should be published along with that.

Moderator: The next question is from the line of Vikas Jain from Equirus Securities.

Vikas Jain: First question is with respect to the Garment segment. So, while we did a very strong 25% year-on-year growth in Garment volumes, our revenues were up by just 3% Y-o-Y. Could you just help us understand what exactly was the reason for this? Was it like a product mix change or was it like a lower margin orders or the variation orders that we took this quarter that led to this drop?

Punit Lalbhai: No. So, it's mainly a product mix reason for the higher volume growth but lower sort of value growth. Because the mix part of the business, which we do as full Garment mix, that has witnessed a lot of the growth, and it's a strong quarter for this category in quarter one and it is as per plan. So, I think we should track the overall volume growth, and the value will adjust itself because the quarterly seasonality will kick in and correct itself. So, by the end of the year, we should see both, value, and volume growth.

Vikas Jain: Okay. Sir you are trying to say, that it is just a seasonality factor that played out. Otherwise, annualized 25% guidance that was guided for last quarter for the full year of FY '25, that's release -- is that?

Punit Lalbhai: Yes. So I mean, volume growth, 25%, yes, value growth will sort of be logical. It will not be such a big disconnect and it is not just seasonality, it's also which parts of the business are expanding. So, our capacity utilization in the mix plant, which was very underutilized last year, has now started to perform. So we have done capex last year in Denim on automation. In the second half of the year, that will also kick in.

So overall, these pluses and minus factors will all sort of play out over a period of time, and very difficult to sort of monitor both volume and value quarter-on-quarter. So, I would just look at volume, which is a simpler thing. We've guided on volume, the value will take care of itself in the medium term because all of the divisions are growing, and there is seasonality also.

Vikas Jain: Right. Right. Also, sir, second part, since the volume growth was very strong, but the Fabric part of the business has impacted. So, is it like we did see some procurement from the outside? Or is it like we had enough inventory with us to furnish for that period where the strike was on?

Punit Lalbhai: No. So I think we did lose quite a significant part of the Fabric volume. We've also incurred significant airfreight costs, etcetera. So, there were significant delays. And good part of the INR60 crores loss is actually ensuring that our customers don't suffer on account of this problem. So there have been mismatches in timing and raw material availability and all of that for the Garmenting business. And that is why I say that 9 million performance is a good performance in this context.

Vikas Jain: Correct. Okay. And sir, one last question. You also in the presentation it was mentioned...

Moderator: Sorry to interrupt you sir. May I request you to rejoin the queue for your follow-up question. The next question is from the line of Aman Vishwakarma from PhillipCapital, PCG.

Aman Vishwakarma: You've mentioned in your remarks that there were a few elevated overheads. I mean could you just tell me the nature of these overheads that you mentioned?

Jayesh Shah: So quite a few kind of overheads. For example, one large cost we incurred was relating to airfreight as a cost, because we had to deliver the goods to the customers in time for their season. That's one large cost we incurred, which is part of our overall estimated loss that we incurred on account of strike.

The second was taking or getting certain products done outside the factory on a very large job work charges. That's the second kind of a cost that we incur. And third was to hire a contract labour to help us out on certain critical processes. So despite some of the costs that we incurred on account of the industrial action, which is strike.

Aman Vishwakarma: Do we expect this to be a one-off thing? Or do you expect this to continue over a couple of quarters here on?

Punit Lalbhai: So there will be some elevated airfreight costs still spilling into quarter two, but that will not be as significant as quarter one, and it should be the end of it.

Jayesh Shah: As we said that we are currently working on full order book as well as full capacity operationally, so we don't see a material change on our financial numbers on account of any of these costs.

Aman Vishwakarma: Okay. Got it. Just lastly on the Garmenting side of the business, so our current capacity is at 45 million, right? If I'm, correct?

Jayesh Shah: Yes, around that number.

Aman Vishwakarma: Yes. And so we do plan on taking this 45 million to 60 million. Is that, I mean, in line with what our expectations are? Just trying to understand that.

Jayesh Shah: That is correct.

Aman Vishwakarma: So no changes there, right? So I mean do you expect this 9 million to continue for the rest of the year?

Punit Lalbhai: No, I think we should, towards the second half of the year, see a higher number. We should cross 10 million.

Moderator: The next question is from the line of Prerna Jhunjhunwala from Elara Capital.

Prerna Jhunjhunwala: Congratulations on strong performance in the kind of events that you faced this quarter.

Punit Lalbhai: Prerna, can you please speak up a little, your voice is coming through a little muffled.

Prerna Jhunjhunwala: Congratulations on a strong performance given the events that you faced this quarter. Just wanted to understand a few things. One, are we at normalized utilizations now after the strike has been called off across businesses?

Punit Lalbhai: Yes. In fact, the utilizations are as high as they can be.

Prerna Jhunjhunwala: Okay. So how much can we make up, in your opinion, over the year? Because it was only first quarter, so we have enough time to make up for our expectations for the year. So I just wanted to understand what could be the recovery in the revenue loss.

Punit Lalbhai: Usually, Q3 and Q4 are the stronger period for us, which is 60% of our revenue. So there our capacity is close to 100% utilization. In fact, we pre-produced a little bit in Q2. So whatever small room we have to make up is in Q2, which we will do. But unfortunately, those 21 days is difficult to make up going forward because the rest of the year is looking so strong on demand.

Prerna Jhunjhunwala: Okay. Okay. And sir, you were expecting around 40 million pieces volume for the year. Now that you are at 9 million and you were saying that you will be at 10 million plus in the second half. You will be shorter of your expectations for the year on Garment volume?

Jayesh Shah: So Prerna, it could be 1 million plus or minus, but we are not significantly off 40 million.

Punit Lalbhai: Correct. Yes.

Prerna Jhunjhunwala: Okay. Okay. That helps. And also, what kind of capacities are we going to add in this year? Some clarity on this INR450 crores capex that gets commissioned this year?

Punit Lalbhai: So we'll go into action this year, of course, for it to come to full utilization takes some time. So the way to think about capex would be around 40% of this would go into AMD, around 35% would go to Garments, and the rest would go into strategic projects of debottlenecking, fabric capacity or automation & maintenance. So I would like to be able to add another 10 million to 12 million garments in the following year.

Moderator: The next question is from the line of Akshay Kothari from JHP.

Akshay Kothari: Just wanted to know, have we brought out any permanent solution to address the workers' demand? And there was no increase in employee benefit expense, so do we expect any increase in EBE going forward in coming quarters?

Punit Lalbhai: So thanks for this question. So let me delve into the strike a little more in detail. So it gives everybody the right context. So first of all, the strike was called illegal by the courts. The way it happened was that only a section of the employees, especially the ones that are significantly above minimum wage were the disgruntled population. We already have a worker settlement in place, where the amount of increase are pre-agreed.

Now for this section of workers, because of slightly higher inflation, that pre-agreed amount was not looking high enough for them. However, for the rest of the organization, because we have an agreement in place, it's difficult to change for only a section. So that is what that dissatisfaction in a section is what led to this. And of course, then it got overtaken by other interests, external interest, and that's why it prolonged to 21 days.

The other thing that one has to note that the workers themselves realized that this was not the right strategy, and it was called off unconditionally without any sort of promises being made. That said, if we have to do soul-searching at our end, then one would say that in the long run, why would this not repeat, we would have to, one, address the grievances. So we will be adjusting the mechanism by which the increases are given in consultation with the union. This strike was sort of extra union, I mean, they did not take the union into confidence before they went on strike. So therefore, it was called illegal. So we will work with the union to come up with the right mechanism going forward.

Second, I think we have already invested heavily in improving our feet on the street and communication. So that's an area of personal disappointment, that we were not able to detect it on time and nip it in the bud, so to say. So that capability has already been invested in.

And the third thing we are doing is that we have increased our allocation towards investments that go into deskilling and automation. So our labour dependency in the medium term has to be brought down. While in the short term, we have to make our workers happy. So I think all of these things are being done. So I hope that gives you clarity into the reasons of the strike, how we are addressing that it doesn't happen again.

And then on your third question of why are the employee costs low this quarter, they are low because there is a good variable component to employee benefits, which only gets paid out if the company achieves its budgeted performance. So for this quarter, that budgeted performance is not there, so naturally, that is not paid out. What we have also done is we've also delayed increment that normally that normally happen in Q1 to later in the year. So there will not be an impact of Q1 in future quarters. We will just regularize everything as the quarter normalizes and come back to budgeted levels.

Moderator: The next question is from the line of Mithun Aswath from Kivah Advisors.

Mithun Aswath: My question is on the Garments side. You did mention and you've done a good performance in terms of the volume, and you did say that it was normalized over a period of time in terms of showing up in the revenues as well. Do you see that in the second half. If we are going to see this sort of a ramp-up, the revenues and the volume in Garments could be similar?

Punit Lalbhai: Yes, there will be a growth in the revenues for sure. However, the product mix will not be exactly the same as the product mix of last year. So it might not be proportionate, but definitely the growth in volume will reflect the growth in value. Exactly how much will be a detailed calculation, I think we have that, but we'll probably best share it later because I'm not exactly prepared with how much of what product is going to grow in which quarter on this call. But we can definitely give you an indication that I'll ask the team to circulate that.

Mithun Aswath: Got it. And also, it's good to hear that the AMD business almost was at INR400 crores run rate, right, if things are normal this quarter?

Punit Lalbhai: Correct. Correct. We had climbed close to INR400 crores this quarter.

Mithun Aswath: Right. And I just wanted to get a sense of what sort of growth do you see? Is there a seasonality even in the AMD business where we can make up in the second half, and we can see very strong growth in that area as well?

Punit Lalbhai: So the possibility of making up is higher in AMD than in Textile because we do have some headroom and capacity, and there, the capacity utilization is faster. So all newer investments that are happening can start yielding some return quicker in AMD. So we will push all those levers, but we already had a very robust growth plan for this year. So this makes that task that much more difficult to achieve in the context of having lost 21 days. But the team will try its best. But if you ignore Q1, we should see a good growth in the remaining three quarters in line with what we had planned.

Mithun Aswath: Got it. Got it. And also, you've created a separate entity for the AMD business. I just wanted your thoughts longer term, what is the plan here of how you're looking to grow this business and unlock value for investors?

Punit Lalbhai: So as of now, we don't have any set plans to sort of have its own trajectory or anything. As of now, we have only housed it in a separate vehicle, so that all options for us are open in the future and we bring a lot of focus to that part of the business in terms of how we can reward talent, in terms of how we can sort of make it more visible and how we can build just more clarity and separate funding options. So all of those benefits will accrue. Then, of course, at appropriate time, we will take whatever decisions are right for the company.

Moderator: The next question is from the line of Vikram Dave Nathan from Prodigy Investment Management.

Vikram Dave Nathan: So my question is a general one on the AMD business. I wanted to understand how the competitive landscape in technical Textiles works for different end markets and applications. So if you have a good track record in supplying Advanced Materials for Human Protection and Mass Transport, for instance, will this track record of dealing with defense and government type entities, will it help you expand to other verticals like aerospace, nuclear, green energy? Considering the categories that we're already in, how easy would it be to win orders in the other categories? Do we have to compete from scratch and undergo a gestation period? Or can we win orders right away?

Punit Lalbhai: No. So I think your first question around competitive landscape, let me try and answer. So in Human Protection, generally, we are competing with international companies. On the high-value side, we see competition from Europe and America. And on the low-value side, on the commoditized side, like workwear and simple polyester cotton coveralls for contractor market, for example, we see competition from China and maybe Pakistan. So different competitors for different segments.

I do expect that there will be Indian competition coming up. But it took us 10 years, 15 years to get to this level. This is a business with high entry barriers in terms of forming of trust, developing IP, going through qualification, all of that, and customers don't switch for small financial gains. So I think we have enough of a head start, where, if we continue to do the right things, we will continue to enjoy a better competitive landscape. So that's Human Protection.

Similarly, for Industrial Fabrics, we have one or two Indian competition. So it's unlike Fashion Textiles, where there are literally tens or hundreds of competitors also depending on the segment you look at. And there, again, there are manufacturers in Europe and mature markets that we compete with. So there also, the competitive landscape is quite favourable.

On the Composites side, there are a lot of Indian companies coming up, and there is some competition, one or two competitors in every segment. But there, the opportunity set is also so rich and so vast that the direction the business can take is quite open, and a lot of new opportunities can be sort of adapt.

Your question around translatability of capability developed now to business in different segments going forward, the answer is yes and no. So the fact that we are doing defense procurement is they're definitely making us capable of navigating the system, understanding the product development process, understanding the requirements, the quality levels, all of that, that can translate.

However, if it's a completely new product that we have to sort of develop, then of course, in this business, that is definitely a lead time. But having done that for the last 10, 15 years, I feel we've become better at doing it as time goes by. And so compared to an absolutely new entrant, we would be probably better placed to win business faster. I hope that answers your question.

Vikram Dave Nathan: Okay. So there will be some gestation period if you're entering new categories, right, but we are better positioned to get the full process down faster?

Punit Lalbhai: Sure. That is correct.

Vikram Dave Nathan: My second question was regarding the capex. So combined FY '24 and FY '25, you'll be doing around INR700 crores, INR750 crores of capex, right? I just wanted some clarity on how much of this will go towards AMD in particular. So out of the INR700 crores outlay, how much is going towards AMD?

Punit Lalbhai: I would say about 35% to 40% will go to AMD, between INR270 crores and INR300 crores.

Moderator: The next question is from the line of Surya Narayan from Sunidhi Securities.

Surya Narayan: Just to understand the realizations in the Garments segment is not improving, so what is the scenario? Like why is it not actually improving? Number one. And number two, even though the Industrial segment is very small. So there are continuously seeing degrowth. So I agree that now in Human Protection due to the labour strike, there is some decline in the revenue to the extent of 5.6% Y-o-Y. But why the Industrial segment is remaining low and then we can see revival in this segment?

Punit Lalbhai: I'll answer the second question first. Industrial will not see degrowth this year. In fact, we planned with good robust growth this year. So by the end of the year, you'll see a good growth there. Industrial was an impacted division during the strike, so we did lose almost a month's production there. So that's why perhaps you are feeling that way, but it is going to only go up as we go through the remaining quarters.

As far as Garments realization is concerned, as I mentioned earlier, we've sold more knitwear. Knitwear is a $4 to $5 business, whereas Denim and Shirt is more like an $8 to $10 business. So, when the product mix will change, the realization will change, but that was already planned, so our growth in quarter one was supposed to be maximum in Knits.

And we have come very close to our targets, both on Shirts and Denim in terms of our dispatch plan. So all I'd say is that the Garment is going as per budget. And even in the face of huge worker shortages in April and May due to the election season, we were able to deliver this result. So I say that it's quite a decent performance on the Garments.

Surya Narayan: So sir, this year, the Garments will lead the growth majorly, you, see?

Punit Lalbhai: Yes. In Textile segment, definitely growth in Garment is what will lead to the overall growth, because we are not growing much in Fabric.

Surya Narayan: Okay. So what kind of growth we can expect?

Punit Lalbhai: We decided that the overall company will grow at double digits. So AMD will be in the 20% range, and that means Textile should be 10% plus overall on a very large base.

Surya Narayan: Okay. And sir, lastly, the other new verticals in the AMD like Mobility Solutions and Defense, any sort of traction you can give so that we can understand in the railway segment or in the defense segment any new orders we have.

Punit Lalbhai: Both those segments are doing well. We are growing this year in both of those segments.

Surya Narayan: Okay. But it is not that significant as of now.

Punit Lalbhai: There is significant growth. I mean we will grow more than 20%, 30% in each space of those segments. Put together, both Mass Transport and Defense should cross INR200 crores.

Surya Narayan: Okay. So can we give a separate revenue segment from next quarter onwards?

Punit Lalbhai: You see, these things are not well tracked quarter-on-quarter, a lot of this is project business. So it will be lumpy, you will have to look at it year-on-year.

Moderator: The next question is from the line of Devanshu Sampat from Avendus Wealth Management.

Devanshu Sampat: Two questions from my side. So I would like to get your view on life ahead after the resignation of Mr. Ashish Kumar. Will this bring about challenges in keeping the momentum going? I'd like to get your comment on this. I understand you will be heading the division in the interim, but can you talk about the plans for this vacancy?

Punit Lalbhai: Sure. So we'll bring in the right leadership at the earliest. In the meanwhile, I'd like to reassure everyone that I understand this business extremely well. I started it, and I have been sort of looking into it and sponsoring it very closely with the management. So I don't see any short-term disruption due to this change. The reason I'm very confident in that is that we have an excellent second line that is all intact.

And so the customer relationships, the day-to-day operations, the purchase, the financial regulation, and control, all of the critical aspects of the business were being done by the second line and the teams below. The strategic direction, the interdepartmental coordination, the relationship management that was being done at the top are also held by me. So I don't see any short-term impact of this. And in the long term, we'll get right management that will be able to take this business to the next level.

Devanshu Sampat: Sure, sure. And the second question I have is, if you can just talk about some of the newer clients or categories wins that you may have had in both in AMD and Garmenting, if you can comment on it, please?

Punit Lalbhai: Sure. So we are adding out of vertical customers. So, if you look at how many customers were in our INR100 crores club, that 2 years ago and that now is very different. So, our dependence on one or two brands was disproportionate earlier, that has gone down. So I don't want to name individual brands because we are covered by NDAs, etc. So, I don't want to be disclosing that without prior permission.

But that suffice to say that Garmenting has a key capability. And the one Arvind position consolidating the organization under Mr. Susheel Kaul has driven a lot more customer confidence. So that we see that INR100 crores plus, INR200 crores plus brand club increasing as we go forward. So I think that's how I'd like to answer the question on the Garmenting side.

On the AMD side, I talked about the segments that are increasing. So I think in all 3 areas, there are 2 things happening. The bigger trend is getting deeper with customers. So as we evolve in our product capability, as we evolve in our track record, there is headroom still to have a larger share of wallet with the existing large customers. And that trend is playing out. If you track a graph of many of our strategic customers, it is pretty good reading. So that is one trend from where the growth is coming.

The second that's driving growth is the addition of new capability. For example, we have increased the defense business. We have increased the newer segments like Sports and Mass Transport are generating higher revenue as their capacity utilizations dial up. We are adding new product capability in Industrial.

For example, we have added monofilament capability and PTFE belt capability this year, which will add to revenues in the second half of the year. So 3 ways for getting deeper with existing customers, existing segments; increasing business in new segments with existing capabilities; and then having new customers and new capabilities altogether. So that's the 3 ways in which the volume expansion will happen and is happening.

Moderator: We have the next follow-up question from the line of Aman Vishwakarma from Phillip Capital PCG.

Aman Vishwakarma: Just a quick one on the debt, right? I mean we had an excellent momentum of debt reduction. Yet we went on and took a small loan out of it. I mean despite our cash flow from operations being in the range of INR50 crores, INR60 crores, I mean, why was there a need of taking this debt? And what exactly is this war chest that we have?

Jayesh Shah: So this quarter, because, as you know, we were stuck by this unfortunate situation of strike, and we didn't know the impact thereof. So to be on safe side, we borrowed a large amount of money and kept it as a war chest to tackle any eventuality. But as we saw strike going away, we, in fact, repaid most part of it, and the balance will get repaid in a shorter period of time.

Aman Vishwakarma: Okay. And what is our targeted debt repayment for FY '25?

Satya Prakash Mishra: This year, we are, in fact, wanting to spend more on capex rather than focus on further reducing the long-term debt. So it may remain plus/minus 10%, the same level.

Aman Vishwakarma: Okay. Got it. So that's on the debt part. And just lastly, on the AMD part, right? There haven't been any major announcements, of course. And so I mean, have we added any new client? Because I believe your Mass Transport division is something that is very promising, right? So have we had any sort of order wins or how does our order book look like as of today? And I mean how are we projecting the growth?

Punit Lalbhai: We don't announce every order. I mean that's not the way as past has been or would we want to do that. I think we are on track to achieve 25% growth or 20% plus growth going forward. I think that's how we should see this business. Are we achieving year-on-year growth to the level that is expected and guided, and I think we are on track for that. So I wouldn't say that there hasn't been much happening. I mean to now at INR1,500 crores base, to grow it at 25% is quite a good level of growth.

Aman Vishwakarma: Do we expect the overall AMD business to grow to about INR2,000 crores sort of business in a couple of years, broadly?

Punit Lalbhai: Yes, should do that and hopefully better.

Moderator: Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to Mr. Satya Prakash for closing comments.

Satya Prakash Mishra: Thank you, everyone, once again, for participating in the call. I hope most of your questions are answered during the call. Me and my colleague, Himanshu, are just a phone call away in case there's anything left out. And have a good day. Looking forward to meeting you all in upcoming conferences. Thank you once again.

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