"Arvind Limited

Q3 FY '25 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Arvind Limited Q3 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 call, please signal an operator by pressing star then zero on your touchtone phone.

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 third quarter and 9 months of the financial year ‘24-25’ for Arvind Limited. On behalf of the management team of Arvind Limited, let me wish you all a very prosperous and New Year of 2025 ahead.

Joining me today is Mr. Punit Lalbhai, the Vice Chairman; Mr. Jayesh Shah, Director in the Board and Group CFO; Mr. Susheel Kaul, our Managing Director and President, Textile Business; and the Chief Financial Officer of Arvind Limited, Mr. Nigam Shah. Punit, sir, also will introduce you to our new CEO of AMD Business later on.

The financial results for the quarter and related presentations were uploaded to our website. Hope you had enough time to go through it. Over the past 9 months of FY '25, Arvind Limited navigated a complex landscape of challenges and opportunities, ultimately making a significant stride towards our long-term vision of evolving into a premier integrated textile powerhouse. Having fully rebounded from the setbacks encountered in first 2 quarters, our growth trajectory is now formally back on track.

In the quarter ended December 2024, the company continued to build on its strong momentum, delivering exceptional performance across its diverse business segments. These results reflect our steadfast commitment to innovation, customer centricity and sustainability as well as our ability to navigate an evolving market landscape with agility and focus. We are proud to report a good set of performance marked by double-digit growth in revenue and profitability, reinforcing our position as a trusted leader in the industry.

During the quarter, Woven Fabric has achieved a remarkable milestone of reaching its highest volume in 3 years of 35 million meters driven by 100% utilization of capacity, reflecting a 7% year-on-year growth. In Denim Fabric, despite being a weak season for Denim products, it has registered a growth of 19% on a year-on-year basis.

As a true testimony of our verticalization strategy, which is visible in improving garmenting volume for past 4 quarters in a row and efforts of the GED team to consistently improving operating efficiency, has started showing in financial performance, and we are very excited that the quarters ahead are good. And I'm sure Punit, sir, will give you his thought process in his remarks in this business.

The Garmenting division achieved a full garment volume of 9.3 million pieces, which is a growth of 21% on a year-on-year basis, and the current product mix is today skewed towards -- higher percentage is towards knitted products in the overall basket. We continue to reinforce our people and process capabilities, along with capacity addition in this business by doing long-term investment to take this business forward.

The AMD division posted a growth of 9% in this quarter, which is impacted by change in product mix in key protective clothing segment. The realignment of mass transport and industrial segment and order deferment has accounted for some of its slower growth.

Now -- let me give you – the financial performance during the quarter. Consolidated revenue and EBITDA for the quarter stood at INR2,089 crores and INR237 crores, which is a growth of 11% and 10%, respectively. EBITDA margin crossed 11% again and touched 11.3%. Textile division revenue grew by 11% and stood at INR1,577 crores, with an EBITDA of INR177 crores, translating into an EBITDA margin of 11.2%.

This is on account of volume growth in our fabric business and better performance in our integrated textile and apparel business. AMD reported a revenue of INR376 crores, which is a growth of 9%. EBITDA for the same period stood at INR57 crores and a stable margin of 15%.

After a gap of 10 quarters almost, consolidated net profit after tax crossed INR100 crore mark and stood at INR103 crores, which is a growth of 13% on a year-on-year basis. Return on capital employed on a run rate basis improved by 170 basis points to reach 14.6%. The company has spent around INR350 crores in capex, which is as per plan.

With this, I conclude my remarks. I now hand over to Mr. Punit Lalbhai for his remarks.

Punit Lalbhai: Good afternoon, everyone. It's a pleasure to interact with all of you. I have -- Satya has covered most things quite accurately. However, I'll just give you 1 or 2 sort of headlines from my end. I consider this a decent performance in the difficult environment that we are operating. I think the most heartening thing is how the scale-up of the Garments and how the operating efficiencies of the Garments are improving.

We hosted the fourth quarter in a row with about 9 million Garments, which is set to now take another sort of jump in quarter 4 and going into next year. So we feel confident and well poised on that front. I think our Woven business on fabric outperformed. I think this has been the best performance of the Woven division in its history. So I'm very pleased about that, and we see very good traction in that business going forward.

And finally, coming to AMD, as Satya mentioned, a 9% growth this time. However, our long-term confidence around showing a 20% trajectory is very much intact. All three verticals are doing extremely well. Customer confidence and interest is high. New lines of business are scaling as per plan.

The reason for a lower quarter 3 performance is that there is inventory build-up in a couple of accounts in human protection, and therefore, the higher value segments have been deferred to quarter 4. And we believe that quarter 4 should show again growth in the higher teens -- in the mid-teens, and then turning back to that 20% trajectory going forward.

So when we look at the AMD business, we should look at a few quarters in a row. It's very hard to sort of every quarter hit the exact numbers. There are some project parts of our business as well, but our confidence for the future is unchanged. And our efforts will be to accelerate growth even further. The opportunity set hasn't changed, and we've only strengthened our team in terms of our ability to deliver.

On that note, I would love to introduce all of you to our new CEO for the AMD business. I think it's a very, very important moment in our trajectory. We have done well to reach where we are, but the realization came that if we are to create the next arc of growth and value creation, we will need to create an organization that has a certain set of characteristics.

Those characteristics are building the best culture possible, building systems and processes doing key account management extremely well, having the highest levels of operating efficiency and creating a team of high performers that are all growing in the same direction. And we selected Gurpreet Bhatia.

With that in mind, he comes with international experience. He comes with a track record of building a company from zero to INR4,000 crores. He comes with building one of the modern cultures. He has experience at Shell, at Castrol and at Livguard.

And the last month working with him has been an absolute delight and I'm very confident that we've chosen the right person to create the next value creation arc. So I just ask Gurpreet to say hello, talk a little bit about himself, and then we'll open up the floor for questions.

Gurpreet Singh Bhatia: Good evening, everyone, and Punit bhai, thank you for those kind words and introduction. It's my pleasure and a super delight to be part of this great business. And I'm really looking forward to building on the experience and learnings that I've had over my 30-plus years and really accelerating the learning agenda since I'm new to this business, and contributing to the growth of the business and more importantly, creating and delivering shareholder value as we build this business over the years.

My first observation over the last 4 weeks, every part of the business provides huge growth opportunity. And we have a combination of headwinds and tailwinds. That's the commitment that the management is working on to put in a more structural, sustained growth engines behind the business. But over the last four weeks, there are opportunities everywhere.

And as you rightly said, it takes a period of time to build some of these businesses, and the whole management team and the team at AMD is after delivering the growth engine for a sustained profitable growth. So thank you for the warm welcome and kind words.

Satya Prakash Mishra: We can now open the floor for questions.

Moderator: First question is from Romil Jain from Electrum PMS.

Romil Jain: I just want to understand a little bit more granular detail on the AMD segment, more on the human protection. I think from last quarter, there was one customer where we -- some orders were deferred and there was some slow down on that. So what is the status currently on that? And how do we see this segment in terms of growth going ahead?

Punit Lalbhai: So, it's a similar set of customers that are still experiencing a little bit of inventory build-up and slowness in actually the high-value part of the business. So that continues. However, we have not lost a single account nor have any products unsettled. So that gives me confidence that it's just a temporary sort of blip, maybe 4 months, maybe 6 months before which this will be back. And in parallel, we are also working to build newer accounts with similarly high value product category.

So some of the larger customers have seen some slowness but it's nothing to do with our performance. It has more to do with how the market is at the moment, and we shouldn't be overly concerned -- sort of concerned with that. What we've also done is that we have sort of started some new segments in the human protection division, especially outerwear and sort of the industrial shirts business, which is sort of not specialized, fire retardant or anything like that. It is a high volume driver.

And because it is the sort of first introduction of some of these products, they will ramp up in efficiency as we go forward. So they may be lower in value than some of the flame retardant products that we do, they should be quite profitable going forward.

So, it's a question of adding product lines and some of the high-value established product lines having a little bit of an inventory build-up. And we see this inventory clearing up by the time of -- by the time Q1 rolls around. That's the feedback from most of the customers in that market.

Romil Jain: Okay. So out of the overall human protection, how much would be the revenues broadly in this high value segment, which is the right now seeing the inventory stocking? And the 15% to 20% growth guidance is broadly more in terms of revenue, right? If I just to clarify or is it in volume terms?

Punit Lalbhai: No, no, no. In terms of revenue. So I mean, if I will answer that question in another way, if everything had been normal, you would have had INR30 crores, INR40 crores of extra revenue across these 2 quarters. So that's the extent of which there is -- the slowness is affecting us. That would have brought us back to that 15%, 16% growth levels of AMD as a whole. And that should start recovering in Q4, and we should be back on track in Q1.

Romil Jain: Okay. Okay. And in the other two segments, we are not seeing any major competition, maybe from Indian competitors or globally because there, I think, broadly the growth is in line. But if there is anything on that segment as well, we would love the earlier thoughts.

And secondly, just one question on the garment side. So I think the volume growth has been strong, but we've seen, I think, some realization pressure I think, overall. So can you just help us understand how do we see this going ahead? And probably what kind of revenue growth is where we see in the next 2 years on the garment side?

Punit Lalbhai: So revenue growth will cross 20% there quite easily. I think we had some operational challenges in Q1 and Q2 coming out of the strike, etcetera. But Q3 has been really heartening in terms of turning that around, and Q4 is looking extremely strong as we speak. So I don't see any challenges. And I think we are on, as per plan, on garments.

Of course, product mix keeps changing depending on as the new capacity is hit, not all garments -- I mean so we have Denim versus knit. So because knit has grown faster a little bit, maybe it's looking that way. But I think as all the capacities come on stream in Q4, you should see an improvement there. So -- and we are on plan as far as the garment plan is concerned.

Romil Jain: Okay. Lastly, sir, can you run us through the capacity expansion plans next year? And when do they kick in, in various segments? That would be all from my side, sir.

Punit Lalbhai: So if you see, we have already invested in capacity expansion. Our primary mode of capacity expansion has been debottlenecking capacities in our existing plants. So, trying to make the same labour give more output. And that, we feel we would have added -- this year, we will close at around 40 million garment kind of capacity. Next year, that capacity should grow to around 48 million, 49 million and we should be able to deliver some 70%, 80% of that. So a jump of 8 million, 9 million garments should come next year.

Moderator: We take the next question from Prerna Jhunjhunwala from Elara Capital.

Prerna Jhunjhunwala: Just wanted to understand -- I mean most of the questions have been asked by the previous participant. But I just wanted to understand this contraction in ASPs in Garmenting business. You mentioned knit. By at the same time, volumes could have also gone up because it is low value items. So I'm willing to understand why the growth would have fit so much though the volumes continue to be in 9 million pieces? I believe, volumes would have been up now?

Punit Lalbhai: No. So volume is likely to go up going forward. Our -- it's -- I mean, it is a question of which customers are being dispatched in which quarter. So that may keep changing a little bit here and there. But overall, I think all our product lines have good profitability. So there is -- even the lower ASP will have a similar kind of EBITDA margin. And going forward, this will correct. So we should see a higher top line in Q4.

Prerna Jhunjhunwala: Okay. Understood. And in terms of AMD, sir, you mentioned that 20% growth is doable over a longer period timeframe. But could you just help us understand how should we look at growth in the near to medium term in the next 1, 2 years?

Punit Lalbhai: No. 1, 2 years, we should also average 20%.

Prerna Jhunjhunwala: Okay. And the drivers will be the same, composite HP and...

Punit Lalbhai: Yes, yes, we would like to go deep rather than going wide now unless, of course, some -- we get something that is so good that we -- that it sort of pushes us to start a fourth vertical, that we will always have as a possibility. But as far as possible, we would like to sort of go deeper rather than broader because when you start a new line of business, it always takes longer than you expect whereas we already have developed quite sort of interesting scale in these 3 verticals.

Within these 3 verticals, also, there is huge opportunity. As I've been mentioning on previous calls, there are $1 billion benchmarks in each of these segments. So there is no reason why we cannot grow. And we have good execution and good customer feedback in almost across the board. So there is no reason why a few quarters in a row, we shouldn't be able to grow. The growth will come from, of course, capacity expansion, and we are also evaluating inorganic. So I think over the next couple of years, you will see some inorganic happening.

Of course, the inorganic that we will do, we will be conservative to be sort of very careful. We don't want to sort of make acquisitions that don't go right. So we'll be very discerning about what we do, but that's definitely also part of the strategy to bolster our growth and to be able to cut down the timeframe to achieve scale and leadership in those segments in which we are considering inorganic.

Prerna Jhunjhunwala: Okay. Sir, a follow-up on this AMD. In the press release, it is mentioned that there was some deferment of orders, which led to a little -- which impacted growth in this quarter.

Punit Lalbhai: So some of our business is project based. So you -- it is never possible to define to the T, what date that lifting will happen. A lot depends on the customers' site readiness, etcetera. So sometimes a few days delay means that Q3 revenue goes into Q4. So some of that has happened, but it's nothing very significant. I think the only significant thing is this inventory build-up that is impacting human protection business. I think all other businesses are on track.

Prerna Jhunjhunwala: Okay. Understood. So there can be a bunch up of sales in Q4 is what I was coming to that, by asking this deferment question.

Punit Lalbhai: Yes. I mean it will keep going up and down. But as I mentioned, we should be in the -- see, quarter 4 for us last year was a fantastic quarter. So over that, we see about a mid-teen kind of growth, which would also be good. It could be our highest quarter in history. So that -- I'm not overly worried about 1 or 2 quarters of slightly slower growth. We are still very much on the growth path, opportunities are good and feeling confident.

Prerna Jhunjhunwala: Sir, one more question, if I can squeeze in. On other segments. Others has done well this quarter, and their profits have also increased. So could you highlight whether it is sustainable or...

Punit Lalbhai: This is also a project business phenomenon. We have had our Arvind Envisol which is our wastewater treatment business as part of others. And that had a lot of order completions or project completions in this quarter where revenue was booked. So that is likely to be lumpy. There'll be some quarters where it will be high, some quarters where it will be normal.

So it's not something that's a trend. It is more a function of the nature of the businesses that are in that group. But overall, those businesses are also doing reasonably well. So long-term trajectory is only up but quarter-to-quarter, there can be sort of lumpiness.

Moderator: The next question is from Surya Narayan Nayak from Sunidhi Securities.

Surya Narayan Nayak: Okay. So just a couple of questions. One is in the AMD, where we'll be running a lag of around -- as you said, INR30 crores to INR40 crores of revenue, which would have given us around

20% kind of growth, and which will be it is slipping to fourth quarter. So just understanding that there could be some good growth possible in the Q4. So I mean now that Q4 is more or less crystallized, so just wanted to understand where exactly the Q4 -- sorry, next year, the benefits of the capex will definitely bring results so far as the AMD was concerned?

And as you said, the ready-made garment around 8 million to 9 million pieces will be added. So what is the kind of horizon we'll be giving, maybe is it -- will it happen in the second half or in the first half?

Punit Lalbhai: So generally, our second half is on an average better than our first half. That's a sort of business cycle that both our textile and AMD business follows. So from that perspective, what you say is correct. I think the way to think about investment and capex is that we are investing enough to hit the 20% growth target. So that's the sort of -- that's already factored in. So our objective is to deliver that kind of growth.

And as I mentioned, quarter 4 is looking like mid-teen kind of growth. And next year, we will definitely aim to, on an average, be close to that 20% mark. And we have created all the capacity to allow that to happen or we are in the process of creating that capacity. In terms of Garments, you'll see that gradual ramp-up that will across the 4 quarters at that kind of volume.

Surya Narayan Nayak: Okay. And Punit bhai, so because in the RNG -- on the Bangladesh context, it is offering a lot of opportunities and where the lot of organized -- unorganized players are present, which cannot get into contract with the global retailers. So in this context, it offers a very good opportunity for acquisition of RNG units in the unorganized sector because RNG is a long-term process of educating or let's say train -- giving training to labourers and to have very good productivity because the learning curve takes time.

So in that context, it makes sense. No doubt we are posting organic growth, so -- of 50% over 2 years. But at least not it make sense to go for acquisition. So are you not looking at the inorganic opportunities? If not, then what are the issues we are envisaging?

Punit Lalbhai: So I think we are never ruling out inorganic opportunity anywhere. However, I think one thing is very important to understand about RNG. RNG is a very, very management-intensive operation and the quality of the unit is extraordinarily important. So that is why it is such a difficult business. You can only count the people who are doing well in this segment on the tips of your fingers, especially in the Indian context where there is high attrition and absenteeism every month.

We are building a model of garmenting that is very different. We are focusing on high level of automation, reducing the manpower intensity of each process, making it process dependent rather than people dependent and bringing down the -- using industrial engineering concepts to bring down the time it takes to make a garment. So that's where the value creation is. It's not simply buying any type of capacity you have and bolting it on. Otherwise, there is a lot of scope to destroying value in garment if garmenting plants are not run well. And that is why also we are very careful about how we scale up.

So every point of the way we are applying these principles and we want to build a garmenting culture and have our facilities to be absolutely world class with these principles. In fact, we are -- we've built a factory of the future, which is very -- which has almost one third the manpower intensity. We are experimenting with a lot of new technology to allow garmenting to be more predictable and more scalable. So our way of actually expansion, we want to embed sustainability in it from day 1.

So from that perspective, it is very difficult to just acquire something from the decentralized sector and bolt it on because it will not come with these principles. In fact, it will create dissonance in terms of managing that facility because generally, these facilities don't have the kind of systems, processes, talent, automation required to mesh with this philosophy. But any unit that actually can measure this philosophy, we will consider for inorganic. So inorganic is never out of the question. I hope that answers it.

Surya Narayan Nayak: Okay. Because our plan of 40 million to 50 million or 60 million pieces was pre-Bangladesh crisis. And post-Bangladesh crisis, I just wanted to know whether any change in the stand has happened in your case, especially through inorganic group. So that is one. And secondly...

Punit Lalbhai: Desirability of India has gone up but India doesn't have capacity, and we have to add the capacity in the right way. So I think that's the limiting factor, not the market.

Surya Narayan Nayak: Absolutely, absolutely. So another point is that as we are continuously saying that we are getting orders from the knit segment rather than the casual segment rather than formal segment. So just to understand whether the formalization of formal garments will be in demand in next year? Or what is -- what you are figuring? Because so long as the knit garments will be there, then ASR will be definitely on a muted product side. So what is your understanding?

Punit Lalbhai: No. So I think formal garments have made a comeback since COVID when they were at rock bottom. So we do have -- especially in our fabric business, we cater to dress shirts and we also manufacture some dress shirt garments, so there is a formal component. But as you rightly mentioned, our specialty is casual, and we make very differentiated casual products.

So there is no issue of ASP on our casual garments. So it's more of -- ASP is more a function of what product mix scale in which quarter or what customers we introduced in that quarter, and the proportion of that customer mix. So that will -- on a -- across 2, 3 quarters, average itself out, right? So we shouldn't worry too much about that. I think...

Surya Narayan Nayak: And regarding raw material prices, as we have just entered into the first quarter -- or second quarter of the cotton season. So how do you see the cotton season to pan out, I mean this year?

Punit Lalbhai: So cotton is in a situation that is similar to what it was earlier. We have this sort of artificially inflated price in India because there is a 10% import duty and the MSPs are reasonably high. And because of that, the Indian cotton is more expensive than global cotton. So it's unfortunately a disadvantage that we have to work hard to overcome.

And -- but I think because the buying behaviour of customers is also region specific, it's not hurting us as much, and we have to capitalize on that and make the most of it. So availability is not an issue right now and price is slightly higher than the overall market. So that's the situation on cotton.

Surya Narayan Nayak: Understood. And AMD, Punit, bhai, are we going to get any IPR-related products, which will be giving some sort of boost to our steady state of revenue in the -- whatever we are getting in the verticals -- different verticals?

Punit Lalbhai: There are already quite a few IPR-based products. I think most things that we do, we try to add some uniqueness, and we have a set of patents. We have even a larger list of trade secrets where we don't even want to disclose the patent. So there is a good amount of innovation and uniqueness that goes into our product. And that is what has helped us reach the level that we have reached and we will keep double -- doubling down on innovation. Innovation is a key pillar to our success.

Surya Narayan Nayak: Your orders are generally has emerged as a very good segment. So are we entering in a big way in expanding that segment? Or we'll keep the operations at the current level only?

Punit Lalbhai: What segment, sorry? I couldn't hear...

Surya Narayan Nayak: I mean in the Arvind Envisol that is generative segment, zero liquid discharge?

Punit Lalbhai: Yes, so there we have two types of business. One is the O&M and parts business, which we will continue to scale aggressively. And the project business, we are being conservative and discerning about the quality of projects we take. So we are not looking at dramatically scaling up the business because in a project business, we don't want to take any risks of execution or of the quality of order or on the customer. We are being discerning about that. So we'll have this medium level of growth there.

The opportunity is, of course, there. Water is only going to become more important commodity going forward. So the momentum is there in the sector. And we will keep our strategy of being conservative and growing at a manageable pace.

Moderator: Next question is from Bhargav from Ambit Asset Management.

Bhargav: Sir, just wanted to know what is the plan for increasing the garment capacity from a 3-year perspective? Is it fair to say that we can sort of reach a capacity of about 70 million to 80 million pieces? And if yes, is any plans for entering into new geographies like maybe eastern part of the country where there are other garment companies also who are going there?

Punit Lalbhai: So I think what we had guided earlier is to try and reach a capacity of 60 million garments by year after next.

Bhargav: Two years.

Punit Lalbhai: After 2 years. So next year, 50 million and year after, it's like 60 million. So broadly, capacity addition will be there. I think we are 4, 5 months lower in our ramp-up than we envisioned at that point. But that will always happen. There'll be parts where we are more cautious based on the global macroeconomic situation. And there will be places where we will press the accelerator.

So our plan should broadly follow that trajectory. And we will reassess maybe sometime midyear what we want to do after another 1.5 years. So third, fourth, fifth year, we will reassess based on how our trajectory is going. But our guidance is that we would like to have more and more verticalization. So garment is going to be a long-term story for the group. But as of now, we have the next 2 years planned out.

Bhargav: And sir, within AMD railways...

Punit Lalbhai: Sorry, I forgot to answer the eastern part of the country. We already have an important hub in the East, which is Ranchi, which is growing very nicely, and this year, it has turned the corner. So we see Ranchi becoming important in our scheme of things. We're also starting Varanasi, which is North which is also a new area, but that will probably start towards the end of next year, and it will actually play a role here after next.

Bhargav: Okay. Secondly, sir, within AMD railways as a vertical is a fairly small vertical as of now. But is it fair to say that maybe in the next 2 to 3 years, it can see a significant ramp-up? And if you can sort of quantify what are you looking at maybe in the next few years?

Punit Lalbhai: So I think it's a very interesting segment. But again, it is a project business, where there will be periods of time where there are -- there is a burst of orders and then periods of time where there is lack of orders in the market. We are in one of those slow periods. So instead of railways, we are focusing on other product categories that require a similar manufacturing technology. So we are focusing on electric vehicles. We are focusing on metros. We are focusing on different types of specialized industrial components.

So, lamination and moulding as a process is going to be interesting, and it will be a high-value segment in composites going forward. So I wouldn't -- I would monitor that rather than just monitoring very specifically railways. We should be broader in assessing the capacity utilization of that facility or that plant.

Bhargav: So, sir, if you look at, as of now, exports is around 80% of revenue in AMD, so maybe 2 to 3 years hence. Do you believe that this mix will continue to remain 80% or you think domestic mix can actually see a ramp-up?

Punit Lalbhai: So -- can you repeat it? I couldn't hear most of your question.

Bhargav: Can you hear me now, sir?

Punit Lalbhai: Yes, yes.

Bhargav: No. So export is about 80% of the current revenue in AMD. Maybe in the next 2 to 3 years. Do you believe that exports will continue to remain 80% or there is a scope for the domestic piece to see...?

Punit Lalbhai: No. I think domestic is already increasing from that level. I think this year, we are even lower than 70%. This quarter, we are even lower than 70% and as defense type business and domestic rail and those type of businesses come in, it will definitely have -- there will be an important domestic component. And in fact, long-term, I see domestic being the real pot of gold because we have the highest right to win in India, and the consumption of these product categories will grow faster in India than anywhere else as the economy develops. So for me, India is very important.

And even though volume is lower right now, domestic, we have to spend a disproportionate amount of time and effort in actually incubating and creating the market potential for India. So we look forward to that. I think India is incredibly important.

Bhargav: And margins, sir, in the domestic business will be similar to the export business or lower?

Punit Lalbhai: Initially, export margins will be better because those markets are mature, and they demand high-value products. But over a period of time, it should normalize even in India. And India has not -- even now what business we do in domestic doesn't have bad margins.

Bhargav: To scale up this business, is there a possibility that we sort of demerge this business separately so that it gets appropriate value?

Punit Lalbhai: We've already started a process to...

Management: We've already filed a petition -- petition to the NCLT.

Bhargav: Sorry, sir, I could not hear it.

Management: Yes. So we are currently -- the company is being put in a separate vehicle, which is 100% of the subsidiary of our parent Arvind Limited. As of today, as of now, Board has considered no such plans to demerge or separately list the company. The capital required for this business, we will see if it requires a larger amount, whether we need to separately fund it through a third-party equity source. But for now, we have enough cash flows within the group to fund this AMD business. So we are not looking at any fundraise for now for anything that's comfortable.

Moderator: We take the next question from Ashmita from Electrum Capital.

Ashmita: So I have two questions for AMD segment. Just wanted to know a number of clients in each segment -- each of the three segments in AMD?

Punit Lalbhai: I think we can give you that information. I wouldn't know exactly the number of clients on the top of my head, but we can check and send you that information.

Ashmita: Okay. Also, one question that you mentioned is there's an inventory build-up in the AMD. So when is the destocking in this segment expected?

Punit Lalbhai: So as I mentioned that by the end of the year, we expect the improvement in -- with those set of customers. Meanwhile, other sets of customers are also being developed.

Ashmita: So are we facing any customer concentration in AMD like going ahead, what will that be?

Punit Lalbhai: Sorry, I didn't -- I couldn't...

Ashmita: Is there any costumer concentration in AMD like going ahead?

Punit Lalbhai: So customer concentration is always a relative term. And in the advanced materials space, there are going to be fewer and more meaningful customers than say conventional textile. But I would say that I'm pretty happy with the kind of spread of customers we have. We have customers -- if you just take the human protection business, we have customers in the U.S. We have customers now -- strong customers developing in the Oceania region.

Middle East is firing up. And of course, we're doing well in India. So I would say we have -- in each area, there are not hundreds of customers, but we are well sort of distributed in terms of our footprint.

Ashmita: Sir, my last question will be, are we facing any composition, especially from Indian -- in the AMD segment? Any Indian competitor?

Punit Lalbhai: Yes, I think our success will ensure that there will be competition going forward. But I think the -- we have a good head start of 10 years on anybody who's starting now. So, our endeavour will be to always be a few steps ahead and keep sort of increasing our scale, increasing our product complexity and critical nature and going -- and sort of becoming more important to the customers that we already have. So that when that competition comes, we are in a different peak altogether.

So in this business, it takes very long to qualify. And once you qualify, it's very -- it's not so easy to displace you. So we are -- we have that advantage, and we intend to do everything in our power to keep that advantage. That said, of course, competition will come, and we are prepared for it.

Moderator: Next question is from Resham Jain from DSP Asset Managers.

Resham Jain: So I have two questions. First one is, if I look at the Denim division, we are clocking close to INR1,200 crores, INR1,300 crores kind of revenue trajectory. We have downsized our facility, I think, 2, 3 years back. But in the past, we have done, let's say, close to INR1,900 crores, INR2,000 crores revenue also. So from the current capacity, what is that peak Denim number we can do?

Punit Lalbhai: Yes. Susheel bhai, you can answer that question.

Susheel Kaul: In Denim division, we are scaling up back the volume. We have been working on the product line to get adopted. The new collection is already in place, and we will see the first impact in Q4. Going forward, that we see definitely a trajectory in Denim. So we may not be going to the original INR2,000 crores level but yes, we will be seeing around INR1,500 crores, INR1,600 crores back in Denim.

Punit Lalbhai: Also, I think we are not comparing apples-to-apples when we look at the past benchmarks. I think we are changing the nature of our Denim business by having more and more verticality.

So a few more million pieces of garments will come on stream. So it will again change the nature and it should be seen as a vertical business rather than a fabric alone business. So -- and that verticality is going to increase. So the -- so there is future growth in this segment, but it is coming through a different channel than what we had used in the past.

Resham Jain: Understood, clear. The second one is on Wovens. So as you mentioned in your initial remarks that you are already running at full utilization. So how are you planning? I think most of the other peers also are actually seeing very good traction on the woven side. So India as a country seems to be gaining quite well. So how are you planning further expansion in Woven?

Susheel Kaul: We have done one set of expansion in the Woven. We are actually further expanding the product mix in the Woven as you know that, as you said rightly, there are many players who are expanding in wovens. And if you work on the similar product segment, you will have a margin pressure. So what we do is we are trying to also diversify the product mix in the Woven side, and we are also adding the capacity. So we should see next year 7% to 8% addition in the capacity from this year.

Punit Lalbhai: I'll also qualify that in a way that Woven is -- so that new capacity should hit us towards the end of this year -- financial year. So it will be available for next year. But Woven, the platform we are adding in such a way that it also doubles up for AMD. So the type of investment we are doing has also allow us to scale AMD going forward.

So Woven is the backbone for actually AMD expansion because the base fabrics that then get value-added on actually are manufactured in Woven. So we are not only expanding Woven capacity, but we are also strengthening AMD by the investment that we've done.

Resham Jain: Okay. The last one is on the capex. You mentioned INR350 crores capex for FY '25. So if you can just help with the breakup of the capex between various divisions. And also from the cash generation perspective, I could see that you can generate close to INR500 crores to INR500 crores to INR600 crores of cash back. So how are you planning your capital allocation for next year?

Punit Lalbhai: So similar kind of capital outlay. I think we have enough opportunities. I think the only constraint is our bandwidth to execute well. So opportunities is not a constraint today. And we'll be maxing out our bandwidth and our free cash flow so that we are at similar levels of debt. We don't want to leverage our balance sheet. So -- but there is enough cash flow available to do everything that we want to grow AMD at 20% and to hit the garment targets that I mentioned earlier on the call and to do enough differentiation on fabric to remain relevant.

Resham Jain: Understood. The breakup of INR350 crores?

Punit Lalbhai: One third broadly with maybe a little bit higher on garments this year, but maybe AMD will be slightly higher next year.

Moderator: Next question is from Bimal Sampath, who's an Individual Investor.

Bimal Sampath: I have two questions. One is please say something more about our PurFi joint venture with them for recycling fabric? And do we have specific customers lined up for that product? What is the capex for that and over what period of time? Second is our rupee depreciation, which has happened over the last 3 months. How is it going to affect us?

Punit Lalbhai: So let me first talk about purify. We are a minority investor in this technology. We are investing from the perspective of bringing a new circularity technology to India and then using that fibre to sort of create value for our customers. So we are actually sort of like a steward -- local steward for this technology.

We believe in it. It's a combination of mechanical and chemical recycling, which allows the fiber integrity to remain intact so that we can have a very high proportion of recycled content in the final garment when we use the purified fibres coming out of the purified process.

So we're very excited about it. Of course, it's the first time this technology is scaling to a level. And yes, we do have customers lined up. We can't mention their names for nondisclosure reasons, but it's actually quite in demand. And it was required yesterday from the customer's perspective. So from that perspective, demand is not a concern. I think it's all about execution and ensuring that the value proposition is fully realized for our...

Bimal Sampath: And what is the potential for this?

Punit Lalbhai: It can be very large. It can be extremely large.

Bimal Sampath: Like something like AMD and garmenting? Or maybe going for...

Punit Lalbhai: Enabling technology, and we will -- we need to do also things downstream for it to become viable. So we will evaluate all those options. Right now, our focus is on getting the first line up and running and producing by the middle of next year. So that's the plan. And we will make sure...

Bimal Sampath: So what is the capex, sir?

Punit Lalbhai: The capex is around overall line is about $5 million to $6 million of capex, of which we are only a 10% stakeholder at the moment. So we'll be investing about $1 million currently and having one line and the rest of infrastructure -- ancillary infrastructure put in place. And then we will see from there how we will want to take it further.

Bimal Sampath: So it's a long-term story, yes?

Punit Lalbhai: Yes, it's a long-term story, but it's going to create a lot of excitement and rub-off benefit, provided, of course, we are -- we have assumed execution, and we are able to produce according to plan.

As far as exchange is concerned, we are waiting and watching to see how the macroeconomic landscape shapes up. Our currency has depreciated, but other currencies have depreciated and perhaps slightly more than our currency. So we have to see. But we will -- and I think this is going to be a global phenomenon. So we are not overly worried about it, but we are watching the space very closely to see what kind of trade blocks are developing after the new administration in the U.S. takes all its decisions.

Bimal Sampath: Right. And sorry, last one is on the renewable facility, what we were planning, how is it progressing?

Punit Lalbhai: We are in -- it's progressing well. So we should be -- towards the end of next year, we should be in a position to sort of kick it off. So...

Bimal Sampath: Towards the end of '26 -- FY '26?

Punit Lalbhai: Yes, end of FY '26 is when it will come on-stream. Yes.

Bimal Sampath: Yes. Okay. So that benefit will kick in from FY '27 onwards?

Punit Lalbhai: Mostly, yes.

Moderator: The next question comes from Roshan from B&K Securities.

Roshan: Since now we have our expansion now going in the garmenting side. So just wanted to understand how is the labour market as of now? Is there a good availability of labour into the markets? Or is the constant still happens to be there in terms of labour availability?

Punit Lalbhai: So, labour is a nuance subject. There are markets where labour availability is a constraint. There are geographies in which labour availability is not a constraint. I think -- however, long-term, we need to understand that the cost of labour is only going to go up and the availability is only going to get tighter with more and more opportunities that the Indian economy is going to throw up.

So, we need to develop models that are less labour-intensive. And I think we are putting in lot of effort and thought and investment behind making our garment businesses less labour-intensive compared to our previous sort of way of working.

Roshan: Okay. That's helpful. Also just wanted to understand your view on the outlook for the key export markets. So how are you viewing it this year, the key export markets to perform?

Punit Lalbhai: So I think we need to -- I will be able to answer that question much better in the next call once we know what the Trump administration is going to do. But jokes apart, as of now, I think U.S. has been strong and Europe has been weak. Also how the conflicts play out will have a role. So it's a very sort of fluid situation at the moment. If nothing changes, then this is the situation right now. And for us, exports have done well. But we would be wise to wait a few months and see what policy framework is developing before we sort of answer that question to full satisfaction.

Roshan: Okay. And just a last question from my side. So going forward, the expansion in garmenting maybe. So would you consider taking it up in the northern markets? Because as far as I see, the southern markets kind of remains now saturated, the likes of Tiruppur. So what's your view on that? And even in terms of labour availability, I guess there are a much better availability of labour in the northern markets. So would that, to a certain extent, reduce the absenteeism? How do you see it?

Punit Lalbhai: So, I think what -- there are multiple things in managing labour. Broadly, yes, other areas and the South will become important. We already, as I mentioned, Ranchi, is important for us. We have a factory in MP and we might increase our presence there. We have factories in Gujarat. Varanasi will come up. So yes, our footprint is going to diversify.

But I think also how we manage labour, the intensity with which the technology that we invest in will make a difference, the HR processes and how we manage -- and how we manage engagement and sort of taking care of the labour. So I think all of that is built into our new models. And that new model is also equally important as is location. So, both things have to be taken into consideration, technology, location and labour processes. So all of that is baked into our new model.

Moderator: Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Satya Prakash for closing comments.

Satya Prakash Mishra: Thank you, everyone, once again for joining the call. I hope most of your questions are answered during the call. Me and my colleague, Himanshu, are just a phone call or an e-mail away for any further questions that you may still have in future. Looking forward to meeting you in upcoming conferences. Have a good day.

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