"Arvind Limited

Q4 FY '25 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Arvind Limited Q4 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: Thank you. Good afternoon, everyone. A warm welcome to the earnings conference call of Arvind Limited. Thank you for taking your time out to participate in today's call to discuss the operational and financial results for the fourth quarter and full year of the financial year 24-25.

I'm pleased to be joined today by Mr. Punit Lalbhai, the Vice Chairman; Mr. Jayesh Shah, Executive Director and Group CFO; Mr. Susheel Kaul, Managing Director and President, Textiles Business; Mr. Gurpreet Singh Bhatia, CEO of AMD Business; and the Chief Financial Officer, Mr. Nigam Shah.

The financial results for the fourth quarter and the full year FY '25 and related presentations were uploaded to our website. Hope you had enough time to go through it. Before I speak about the operational and financial performance for the quarter gone by and the full year of 24-25, let me give you a broad picture of how the timeline has panned in the last past 12 months.

Despite a turbulent year marked by a temporary workers unrest in the early part of the year, demand fluctuations throughout the year, geopolitical tensions and last and continuing is a tariff-related uncertainty that has created a constantly shifting landscape in our business environment. Arvind's integrated business model has shown a notable resilience and adaptability in these times and shown a good operational and financial performance.

The company has since demonstrated a strong recovery in quarter four, both in its textile and Advanced Materials business. Encouragingly, the Garmenting division also posted robust volume during the period, reflecting operational transformation at ground level. Beginning of quarter four started with the new Presidency in United States, which brought with it a new paradigm in the largest consumer market of the world and a new tariff policy was announced.

Moreover, Arvind is also capitalizing on the new momentum on the China Plus One strategy, both of which is driving the supply chain diversification and long-term growth opportunities. With global customers gradually resuming orders, adding new premium brands and operational stability improving in our capacities, the company is well-positioned to navigate future challenges and sustain positive growth momentum.

Now focusing on the performance of the company for the period. The Textile division as a whole has continued its volume growth journey with higher capacity utilization, which is in excess of 95%, while the integrated textile, which is fabric plus garmenting, reached a volume of 37 million pieces, which is a growth of 16% for the full year.

As expected and guided in quarter three call, the Advanced Materials Division, which was impacted by the reasons said above for the 9 months of FY '25 is firmly growth back on the growth path in quarter four.

We have seen the inventory cycle coming back to normal and key accounts performing in line with expectations. Punit will talk more about the business in his opening remarks. These results reflect our steadfast commitment to innovation, customer centricity and sustainability as well as our ability to navigate evolving market landscape with agility and focus, which will cement our position as a trusted leader in the industry.

Now let me give you a summary of the financial performance during the quarter. For the full year FY '25, revenue stood at INR8,329 crores with an EBITDA of INR919 crores, translating into an EBITDA margin of 11%. Normalizing the impact of industrial action and the consequent loss of production and additional cost, revenue and EBITDA would have grown by 10% and 12%, respectively, which was our base case scenario at the beginning of the year.

Consolidated revenue and EBITDA for the quarter stood at INR2,221 crores and INR275 crores, which is a growth of 7% and 10%, respectively. EBITDA margin crossed 12.4%, which is highest in last 16 quarters.

Coming to the segment-wise performance; for the full year of FY '25, Textile division recorded a revenue of INR6,174 crores and EBITDA of INR626 crores with an EBITDA margin of 10%. This is including the impact of quarter one strike.

In quarter four, Textile division revenue grew by 7% and stood at INR1,614 crores with an EBITDA of INR181 crores, translating into an EBITDA margin of 11.2%. This is on account of volume growth in our Fabric business and efficiency gain in our Integrated Textile and Apparel business.

For the full year FY '25, AMD division crossed a milestone of INR1,500 crores and registered a revenue and EBITDA of INR1,544 crores and INR234 crores, respectively, with a stable EBITDA margin of close to 15%.

During quarter four, AMD reported its highest ever quarterly revenue of INR451 crores, which is a growth of 17% and EBITDA for the same period stood at INR69 crores with a stable margin of 15.4%. Profit before tax for the full year stood at INR494 crores, which is a growth of 7%. However, if we normalize one-off impacts during the year, the growth for the year should have stood at 23%. Reported profit after tax during the period stood at INR353 crores.

We have maintained the debt at similar level and the company has generated enough free cash from operations of around INR760 crores during the year to fund the entire capex program of INR480-plus crores. Considering the invested capital in use and normalizing the profit for the year, ROCE for the period stood at 17% -- reported ROCE for the period is 15.7% on a run rate basis.

As for the dividend distribution policy, the Board of Directors have recommended a dividend of INR3.75 per equity share of face value of INR10 each for the financial year '24, '25. The said dividend payout works out to INR98 crores, which is 28% of the reported consolidated PAT. This is subject to approval of shareholders in the ensuing Annual General Meeting.

The company's balance sheet has significantly strengthened in recent years, driven by disciplined capital allocation strategy, a streamlined debt profile and an optimized capital structure and a consistent year-on-year cash flow generation from our operations. While FY '25 has its own challenges, in our view, it was a watershed year for us. We have a full team in place and all of us have started a new journey. We look forward to the future with renewed vigor and the decades of growth ahead.

With this, I now hand over the call to Punit to give his views on the performance of the company and the broad outlook for the next year. Over to you.

Punit Lalbhai: Good afternoon, everyone. It's an absolute pleasure to be here. I'll sort of classify my comments into two buckets on what happened in Q4 and secondly, on the overall environment and how I see the future going forward. So I think in the context of all that's happening in the world today, I think quarter four was a very strong performance. I think textile volumes were up across the board.

AMD that was sort of struggling after the labor unrest and some demand challenges in quarters two and three particularly is back to its more normal growth trajectory with maintained margin. And we came very close to producing 10 million garments as was our desire to do so in the fourth quarter.

So overall, I think most of the strategic boxes were ticked in an extremely difficult environment. I think going forward we have to speak about all the changes that are happening in the world. It's amongst the most volatile times that we've seen in the recent past, especially with the impact of the tariffs that were announced.

So these tariffs have a short-term and long-term impact. The short-term impact is that many of our strategic customers have seen their cost structures go up. And in the spirit of partnership, in many cases, we have agreed to pass on some of the increased costs by partnering with them on the price front.

So we will, in the short term, both in textiles and AMD, see a little bit of margin pressure in the first quarter and maybe a little bit in the second quarter. However, I expect these impacts to mitigate because we ourselves will start expecting margin partnership from many of our supply chain partners, and it will take two, three months for all that to kick in. So we expect our margins to normalize three, four months into the New Year.

I think the medium-term impacts of the Trump tariffs are going to be -- we are quite optimistic about the new sort of world realignment because of this event. I think this event makes India a more attractive destination for all concerned. We are having volume increased discussions with many of our customers.

Coming to AMD, it is a similar situation. We have also partnered on pricing with some of our strategic customers. At the same time, we have also taken advantage of this opportunity by taking orders where we will be doing planned air shipment because they are required in very short time.

And all of this will eat into quarter one and maybe a little bit of quarter two margin. However, the demand scenario is the most robust I've seen it in recent memory. So the overall messaging is there will be margin headwinds for 1.5 quarters, but the demand scenario looks extremely robust.

And this demand is here to stay. And so as the second half of the new financial year rolls around, we should start to see the advantages of this sort of rebalancing of the world. I think another watershed event, the signing of the FTA between India and the UK is also a very important event, especially for the textile and apparel business. I think India will become a very interesting sourcing destination for the UK.

And I think it will also benefit Arvind quite significantly in securing the right kind of rebalancing to the US dependence. I think we are still heavily -- going to remain heavily indexed on the US as all our customers even there are only talking about increasing business rather than decreasing business. So I think that's the overall impact of geopolitics. I think this is the year where we should also add significant garment volume growth over last year in the textile space.

Many of our capacities that we've been investing in are now coming on stream. We should start to see some benefit of our capex cycle, and there should be volume growth in garments. I think fabric also will see some growth, especially driven by the specialty fabric that we've invested in, and it should drive the overall company. So we see margin stabilizing starting in about four months after the New Year has started.

And we see good growth from a very robust demand scenario. Of course, all of this needs to be sort of prefaced with the uncertainty that still remains around where finally the US tariffs will land. So what happens after the 90-day pause and how successful we are in signing an advantageous BTA, all early indications of which are looking positive but however, that needs to actually happen before the final picture can emerge.

But right now, we are optimistic about the future. So I think that's the overall commentary on both the year gone by and how we are seeing the future. Temporary margin headwinds, but very optimistic growth and demand outlook.

Open the floor for questions. Thank you very much.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Aman from PhillipCapital.

Aman: I had a question with regards to the AMD division, right? So while you do mention of there being robust demand for it, my question is, do we have any sort of order wins that we have gotten over this quarter? And you also mentioned of some orders being spilled over from Q3 to Q4, but that growth has not really come through. So what could be the reason for that?

Punit Lalbhai: No, we had guided that we will be in the high teens. We will be actually in the mid-teens is how we had guided Q4, and we have beat that guidance. So I think I wouldn't say that there is any growth challenge from Q3 to Q4. We are on expectations or slightly better in Q4. I think we have -- as far as orders are concerned, yes, we have -- order intake is a constant process.

And our order books in most of our divisions within AMD are full or slightly more than full. Hence, we are actually doing some planned airfreights over quarter one and maybe early quarter two. So orders are quite robust.

Aman: So if you could just give us a sense on what sort of order these are? So are these private orders or are these government orders? Some clarity on that.

Punit Lalbhai: Mostly private. Actually, defence is one of the segments that has seen a slight slowdown in the recent past. And I think quarter one might be a bit slow on defense, but we should start picking up government orders from quarter two.

Aman: Okay, noted. My next question would be on the textiles division, if I may. What is the yearly outlook for the entire division in terms of volumes and in terms of realizations?

Punit Lalbhai: So we'll see both. We will see some growth in both fabric and garments, but predominantly in garments, and that's a result of us more capacities coming online.

Aman: Sir, what would be our current garment capacity?

Punit Lalbhai: So currently, the capacity is around that 40 mark, which will go up, which will become close to the 50 mark by the end of the year. And of course, that is capacity. And because capacity is ramping up, of course, you are always lower than the capacity. So we should be in that 37 million, 38 million garments going to about 43 million to 45 million, 46 million garments.

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

Surya Narayan Nayak: So just a couple of questions. So what is the capex guidance for this year? And second is that the -- you'll be definitely adding some carbon capacity that will be running up to end of the year. So shall I consider that the second half will be more than the first half?

And another point is that knits to woven ratio, if you can give from the fabric side because I believe that the woven side is more heavy than knits and knit demand is rising. So what is the strategy to take on that kind of demand?

Punit Lalbhai: Okay. I think the capex is going to be around INR450 crores to INR475 crores that will be spent this year in the similar ratio of equal between fabrics, garments and AMD with maybe slightly higher indexing around AMD, which is -- and we are driving towards a 60 million garment capacity in 1.5 years. So we should reach 50 million or slightly higher than 50 million by the end of this year.

;And then the next 6 months after that should add another 8 million to 10 million. So that will get us close to the 60 million that we've been consistently guiding. And your question around wovens and knits, well, I think the wovens capacity is amongst the largest in the world that we have. So yes, wovens is a very large business within our portfolio.

Knits is a new and emerging business where the primary growth is coming from the verticalization piece. So the highest growth in our garments is coming in the knitted category. So we will be adding not so much fabric capacity, whereas wovens is a very fabric sales heavy business where we have a lot of strategic garment partners that we do virtual vertical delivery to the end customer base.

Kits is going to be the segment that will grow the fastest on the garment side, which also means that average price will drop, but verticalization will increase. And as you rightly mentioned, the strategic category of knits has the highest growth potential, and we want it to be a larger portfolio of the overall future mix.

So, we are taking a conscious call to grow that faster. Our activewear facility in Bangalore has come up and will scale to full capacity this year. And we will be adding our Varanasi factory should come on stream late Q2, early Q3. And that is also.

Surya Narayan Nayak: So the special fabric what we were mentioning is related to woven or knit?

Punit Lalbhai: No, that is we've added in wovens, we've added in and AMD. Both we have added fabric capacity.

Surya Narayan Nayak: Okay.

Moderator: The next question is from the line of Romil Jain from Electrum PMS.

Romil Jain: So the first question is on the AMD side. So just want to understand at what utilization we are and what kind of capex is going into AMD in the next one or two years? And you mentioned that you will pick certain products in Q1. So overall for the FY '26, what would be the margin and growth guidance on the AMD side?

Punit Lalbhai: I'll answer the second question first. We should return to our 15% levels as the year progresses. But quarter one can be significantly lower than that in the 11%, 12% range because of both discounts and a large amount of air freight that we will end up doing. I would see that as a temporary margin blip, which has strategic sort of intent behind it.

When you get unexpected sort of opportunity to move programs from other regions to our region, you should take it. And then the capacity ramp-up may follow and that may have a certain cost in terms of margin. So I wouldn't worry about that because it is strategic. On utilization on garment, we are actually at 100% because, in fact, we are stealing a little bit of capacity from the Garment division as well to ensure that some of the strategic customers are accommodated and doing air freight.

We are in the process of investing in the new garment facilities, which will take maybe 3, 4 months to come on stream. So this sort of overcapacity & this sort of very robust order book situation and 100% garment capacity utilization will last maybe 3, 4 months.

Romil Jain: No, sorry, my question actually was on the AMD capacity and the utilization and the capex in AMD?

Punit Lalbhai: This is AMD human protection that I'm talking about. And then industrial is in the high 80s and composites would also be in the early 80s, I would say, in terms of capacity utilization. Composites is going to see some large capacity increases this quarter. So the utilization may go down for a quarter or so.

But then again, once those capacities come on stream, we will be filling those orders in. So by the end of the year, we should be firing at an average of above 85% capacity across all divisions, and we'll be working aggressively to add capacity to accommodate next year's growth.

Romil Jain: So that means in FY '26, probably with this, we should end up somewhere in mid-teens like 15% kind of growth and stable margins that we reported maybe this quarter or this entire year. We'll come back to that, right?

Punit Lalbhai: Correct. We will try and beat the 15% on growth. Demand is not looking like a huge challenge this year.

Romil Jain: Okay. And on the tariff situation and the UK opportunity, so I understood that we may have maybe one quarter of issue because of the tariff and the sharing of margins overall. But going ahead, we should get that benefit on the volume side in garments. Is the right understanding, right? And the UK business will also scale up in the next 2, 3 years?

Punit Lalbhai: Yes, most definitely. In fact, we will have to very quickly strategically focus on the UK and the opportunity to have another large region is definitely there.

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

Akshay Kothari: Sir, just wanted to know one thing. We do have shares of Shiprocket with us. So what is the worth of those shares of Shiprocket?

Jayesh Shah: So, as you know in our reported financials, we have 37,000 shares, which, of course, they are splitting now into more number of shares. In our books, the shares are at what their valuation, which they had was $750 million. That is the price at which we took the shares, and they are being reported at that level right now.

And the value is close to INR100 crores in our books right now. And we believe that they are going for an IPO. At which point if that does happen we will see how we can participate in that IPO.

Akshay Kothari: Okay. But there is no cap to the price, right?

Jayesh Shah: No, there is no cap to the price.

Moderator: The next question is from the line of Vishal Mehta from IIFL Securities.

Vishal Mehta: I just actually wanted to know what is the nature of the capex in fabric business that we are going to do this year?

Punit Lalbhai: See, in fabric, there are a couple of things that we do every year. We keep investing in some technologies to keep our fabric offering, which is still the largest part of our overall textile business, fresh and innovative. And we earn the high margins in fabric because of our innovation. So in a sense, it's like an evolutionary arms race. Every year, you have to add some new capabilities to continue to be on top in terms of satisfying the customers' requirements.

So we do innovation capexes. That's one part. And then we have such a large asset base that we have to do a significant amount of maintenance capex. There will be some portion of machines that will always require replacement, refurbishing. Your cost competitiveness is a key area to sort of monitor year-on-year. So old technology being replaced by new technology to keep our costs in check.

So I think those kind of investments and just because the segment is so large, we are not adding very large capacities anywhere, but it still ends up being a significant investment.

But we get good return on investment on all those investments. In fact, those are the best returns that for every dollar that would probably have the highest return on investment of all the capex just because it's so stable and it's focused mostly on innovation.

Vishal Mehta: So the return would probably mostly be flowing in through margin expansion here?

Punit Lalbhai: Yes. Margin expansion, a little bit of volume expansion as well. Because when you debottleneck, when you put in newer technologies, you generally get higher efficiencies and your throughput generally increases a little bit. So we do get 5%, 6%, 7% kind of volume growth also should be there.

Vishal Mehta: Okay. And last question, what happened to the composites within the AMD segment in 4Q?

Punit Lalbhai: Yes. So composites had a very high base in the previous year. So what happened in Composites was that quarter four of FY '24 had some windfall gains. So I think the steady state, you have to shave off maybe INR15 crores, INR16 crores of extra revenue that we earned in Q4 because of some opportunistic orders that are not part of the regular plan. So composites, I would say, was normal and expected. But because we are comparing against a very high -- exceptionally high Q4, it's looking flat.

Moderator: The next question is from the line of Vikas Sharda from NT Asset Management.

Vikas Sharda: One question when you mentioned on the margins that for 3, 4 months, it will be weak. So could you quantify what kind of margin impact are you looking for? It's like 100 basis points, 200 basis points or even more? And secondly, what will be the levers for it to normalize in the future? This air freight will be one-off, but besides that, what are you looking for normalization of margins?

Punit Lalbhai: So the first part of the question, I don't want to give a very specific guidance because there is still some evolution in this. These are all ongoing discussions. So I don't want to anchor you too firmly anywhere, but it will be reasonably lower compared to our normal trajectory. But that lower, as I said, will be temporary. What are the levers to come back to normal? There are 3 or 4 levers.

One, I think we will also get good advantages or in fact, we have already got good partnership from many of our strategic suppliers. It's just a question of old inventory then being run out, and there is a time lag between the old inventory and new inventory. Our discounts are effective immediately, but we also have raw material at higher prices, which needs to be flushed out before the lower -- our discounted raw material comes in.

So we've got substantial savings that will help partially offset the discounts we have given on our raw material. Second, we will also have efficiency gains that will mitigate some of these margin challenges, especially since the nature of some of the orders are high volume and large runs and consistent visibility, but there are new programs.

So when new programs come in, this is the opportunistic part of when we won some orders from other regions as a fallout of all this geopolitics. They, over time, will become more profitable just because we adapt to manufacturing them more efficiently, and they are very amenable to that, but that takes 3, 4 months. Third thing, overall economies of scale as our fixed costs get amortized over larger volumes.

So I feel quite confident that despite discounts given, things can return to normal even if this 10% tariff overhang remains. Unless, of course, the only caveat to all of this is unless there is some further unexpectedly negative tariff actions that the US initiates and then we are back in uncertainty. But as of now, the expectation of that is the probability of that is looking much lower.

The probability of us signing a BTA and then going to an overall lower than current tariff structure is there, which would again mean margin expansion. So if that happens, then definitely, we should go very quickly back to original or better margins. But there are all these other levers also that will ensure that we come back to regular margin.

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

Surya Narayan Nayak: So what would be the differential duty you are envisaging post this Trump tariff and India today also offered zero duty. So what is the situation like? And secondly, on the composite side, what are you hearing from the railway side because the passenger cargoes, those Wagon people, they were saying that the second half would be better. So that is why the situation will be improving in the second half. So what is your understanding?

Punit Lalbhai: So I think guessing what the US will do on tariffs is probably the most hazardous job in the world right now. So I will not hazard a guess as to where this whole thing will settle. But I think like you've been also reading in the media, we've also been reading and all conversations with people who are close to the subject say that the negotiations are going in the right direction.

So I think we'll just have to wait that period out till there is some concrete outcome. So I think we have to just be alert and adapt to an evolving situation. Unfortunately, that uncertainty will exist until the time that all this settles.

Surya Narayan Nayak: But given India's position as the manufacturing not possible in US, so are you not feeling that ultimately, the status quo will be seen?

Punit Lalbhai: No. I mean, see, it is difficult to say. I mean, these are all feelings and guesses at this point, right? The overall feeling is of optimism and positiveness because those messages are coming through various channels. Beyond that, I think we should just be patient and wait and see where all of this lands.

Surya Narayan Nayak: Okay. Regarding railway?

Punit Lalbhai: Yes. And railways, yes, railway is expanding. We are also seeing a slight uptick in our mass transportation business. And I think even internationally, more than railways, the metro business, which also has an export component that is looking more optimistic. So overall, I think mobility as part of the composite portfolio looks to have a good future.

Surya Narayan Nayak: But the traction has been slowed due to the wheel surface that is what the wagon people are saying. So is it affecting us?

Punit Lalbhai: Not really. In fact, there are quite a few orders out there with ICF, and there are a lot of inquiries there. Maybe from their own plan, it might be lower, but we are seeing growth overall compared to previous years.

Surya Narayan Nayak: Regarding cotton, most of these trades are happening at the MSP. And are you expecting some sort of relief in the raw material side as far as inventory is concerned in this year?

Punit Lalbhai: No. In fact, our cotton is slightly more expensive than other cotton. So there is a slight disadvantage, if anything. The only way that we'll see relief is if part of the BTA, there is some action on import duty on US cotton. But other than that, I don't see much changing.

Moderator: The next question is from the line of Ranjith Kumar from Spark Capital.

Ranjith Kumar: I have a couple of questions on the AMD business. I was wondering like where do you purchase raw material fibers, right, like aramid fibers and then acrylic fibers, nylon 66, etc., for the AMD business and from which geography do you purchase? And I believe you also have technological partnerships with DuPont, etc., right, or OG Corporation, etc., right?

What's the terms of agreement in terms of procuring raw material from these organizations? And second question would be on the customer mix, right? Like you mentioned about defense forming a part of your portfolio, right? So what would be defense versus nondefense exposure in terms of percentage, if you can mention that? And whom would your defense customers specifically be in that AMD business?

Punit Lalbhai: Sure. So on raw material, our sourcing footprint is quite wide, especially for specialty fibers unfortunately, India is not on the list of manufacturers, though we are sort of working with several potential future manufacturers for raw material in India. Most of our fibers come from strategic partners the world over, which include geographies like Japan, US and Europe. So those would be maybe Korea also for some strategic fibers.

There is a small China dependency, but we have mostly tried and hedged that to a great extent. Now in terms of the kind of relationships we have, we have some exclusive supply relationships with a few chemical suppliers for some important advanced material chemistries. We have a joint venture with a couple of companies like OG Corporation and Price Daimler Group of Germany and OGs from Japan for certain product categories.

We have preferential sort of sourcing agreements with a few. So different types of arrangements, but we work long and deep with a few set of suppliers, and they are not just suppliers, but our innovation partners, you could say. So that's the way we have structured our partnerships on raw material.

And defense, you had a question about defense. Defense is around 10% of the overall AMD business. And of course, a large customer would be the Army. But it's in the public domain. We have dealings with all of the different forces, many of the different components of our forces, and there is also a little bit of exports.

Ranjith Kumar: Okay. One more question to follow up. What would be your fabric versus garment sales in AMD? By garment, I mean the end product, whereas fabric selling it to B2B?

Punit Lalbhai: It's, I think, not a very useful way of thinking about our business because it's quite complex. And somewhere there is fabric garment only in human protection. And what to define as an end product and what to define as an ingredient product is quite complex and it's subjective. So I think 80%, 90% verticality is there in our human protection business or at least 70%. We do sell some fabric to some strategic customers.

But there, it is mostly a full package sale that we have with most of our strategic customers. And then on industrial and composite, other than the reinforcement business where we do sell rolled goods of glass fabrics in the Composite division, most of the products we sell could be classified as components. But of course, very rarely do we supply the full final product.

For example, we supply cooling tower profiles, but we don't go and erect cooling towers into which go our glass and carbon-based reinforcement. So we are at various parts of the overall value chain. And it's very difficult to define that by percentages, etc. It's different for each division.

Ranjith Kumar: Got it. And is your production process patented by any means, weaving, coating, lamination, all of that?

Punit Lalbhai: We have a lot of patents. We have quite a few patents in human protection. But more important than patents, we have trade secrets as well. So sometimes it's almost better not to patent something because when you patent something, you tell the world how to make it. So you have to make that decision on whether legal protection will help or it's better to just protect the know-how by not publishing it anyway. So we have a bit of both.

Moderator: The next question is from the line of Gunjan Kabra from Niveshaay.

Gunjan Kabra: I just wanted to know that how is the demand scenario in terms of retailers stocking up in Q1 because of the tariff structure?

Punit Lalbhai: So I think that's a good question because we don't know what H2 will bring especially on US demand because there has been so much uncertainty and there has been high levels of tariffs placed on certain geographies. Is the cost for US customers going to go up? And is there going to be a demand sort of softness?

That's the thing we'll have to see. Overall trend is that we've climbed down from the initial very heavy tariff structures everywhere. So it seems like that scenario is becoming less likely that there is a slowdown, but we don't know. We'll have to see how all this plays out. Everything is still work in progress. Nothing has reached a final conclusion.

So until the bilateral trade agreements with most important trading partners come, that question is very difficult to answer. But right now, it doesn't seem like there is a huge amount of demand destruction. And even if there is a softness in demand, I think India as a geography will still gain because of rebalancing. So there are many, many variables in this. We'll have to wait and see.

Gunjan Kabra: Because of the rebalancing that you mentioned and in the opening commentary and multiple times you mentioned volume growth can happen very well.

Punit Lalbhai: Short term, we are seeing the volume growth. So there is no uncertainty there. We have received orders.

Gunjan Kabra: Correct. So do you think that this volume growth and the inquiries that you received can largely offset the margin impact that we can see in absolute terms?

Punit Lalbhai: I think going towards the later part of the year, we will definitely see that because we have an overall growth plan, and we'll try and come close to our growth plan despite the disruption caused in quarter one. But I think, again, everything will depend on where all of this will land.

So I don't want to give a very specific guidance. But directionally, demand seems robust. Most of the business that has come to us is here to stay if things don't become completely different from a tariff perspective. So it looks positive at this point in time.

Gunjan Kabra: And how is the raw material cycle right now in terms of the cotton and yarn segment? Do you think there can be a little price upward on that side?

Punit Lalbhai: No, because global demand is muted, most of the demand coming to us is through rebalancing and that rebalancing is happening with large vertical partners such as ourselves. It's smaller, midsized and smaller suppliers are still finding the demand environment quite challenging at the moment. So cotton and yarn is not looking very bullish at this point in time.

However, there are other commodities that because of shortages, linked to tariffs, etc., are going up. So like, for example, glass fiber because of very large growth in wind energy in certain parts of the world is going through a spike. There are certain mined materials that are very Chinabased. And because of trade barriers, there is scarcity. So we are seeing both. Some commodities are spiking, some commodities are soft. So it's a complex scenario right now, but nothing very alarming in either direction.

Gunjan Kabra: And sir, on the UK side, it was being anticipated since last 2, 3 years. And right now for overall industry and Arvind the minimum revenue comes from UK because of the tariff disadvantage that we had. But do you think onboarding them right now would be a little easier or it will take its own time to get customer onboarded on the UK side because the talks have been initiated since last two, three years already maybe.

Punit Lalbhai: So onboarding any customer is never instantaneous, but it will take also very long time so that's okay.

Gunjan Kabra: Okay. But the supply chain rebalance the talks have started with on the customer basis?

Punit Lalbhai: Yes, yes. Of course. We will now use this opportunity to deepen our -- and put more resources behind developing the UK market for ourselves. There's no question.

Moderator: The next question is from the line of Vishal Mehta from IIFL Securities.

Vishal Mehta: I just wanted to know how has your Envisol business fared this year and the quarter? And what's your outlook like?

Punit Lalbhai: So it's fared pretty stable. It's been stable. There hasn't been dramatic growth, but I think we've done quality work and our components and services business is quite strong this year. I think we will continue to be very conservative in this business because we don't want to take unnecessary risk on large projects where there is a financial for recovery, etc., being very selective in the kind of projects we take. And we are not chasing very aggressive growth here. So steady and profitable is the way we would like to grow it. It's in that INR250 crores to INR300 crores range.

Vishal Mehta: Okay. And one more, what is the level of the discounts that your customers are asking right now? And also, are you not seeing any order deferrals given the tariff confusion like for 90 days, there's a pause after that, what the tariff would be like. So customers would probably be waiting or deferring their orders. So current quarter, how is the situation?

Punit Lalbhai: So I don't want to comment on the exact percentage of discounts. It's different for different customers in that whether its raw material, whether it's finished products, the percentages vary. And I'd not like to put that out in the public domain. But I think the deferrals are not there.

In fact, preponement, there are a few preponement because people want to lock in their prices until the window of certainty exists. So in fact, we are getting a lot of requests to prepone and that's leading to capacity imbalances as well. So yes, there is sort of flux in that the situation is a little chaotic compared to normal times. But I think things will adjust once the certainty around what's going to happen in the future will be revealed.

Moderator: Ladies and gentlemen, that was the last question for today. 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 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 questions that you may still have in future. Looking forward to meeting you in conferences. Thank you, and have a good evening.

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