Textile

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Diet Report

Global Markets Research

RoDTEP rates revised downward by 50%

24 February 2026

The government has revised RoDTEP (Remission of Duty and Taxes on Exported products) rates downward by 50% across all HS lines, effective immediately (per DGFT notification no. 60, dated 23 February 2026). For cotton yarn exporters, the RoDTEP rate will drop from ~3.4% to ~1.7% of Free on Board (FOB), and for fabric exporters, from ~3.5% to ~1.75%. While this is an earnings headwind for integrated textile players with meaningful yarn/fabric export exposure, this will also increase the cost for the entire value chain (primary inputs for value added products).

Expect near-term margin strain for already executed orders and shipments in the pipeline (where pricing has been locked in at pre-cut incentive assumptions). We maintain earnings estimates and TPs for our Textiles universe, as we expect the incentive reduction to be largely passed on to the customers in the medium term via repricing of new orders and renegotiations. The Union Budget FY27 has signaled tighter fiscal support for export incentives, with RoDTEP allocation reduced by ~45% to INR 100bn and RoSCTL (Rebate of State and Central Taxes and Levies) allocation cut by ~50% to INR 50bn, increasing the risk of a similar cut in RoSCTL rate over time, an outcome that would be more material for garment and home textile exporters given their higher current incentive rates.

Yarn and fabric exporters primarily hit: Yarn and fabric players operate in a highly competitive, price-sensitive global market. Hence, exporters will be compelled to reprice new orders upward to protect profitability, with the near-term impact limited to already-executed shipments where pricing has been locked in. Within our Textiles coverage universe, Vardhman Textiles (VTEX) and Arvind (ARVND), both of which have meaningful yarn and fabric export exposures, are the most vulnerable to this policy change. We estimate a potential earnings impact of ~4-6% on FY27E-28E earnings if the rate reduction is not passed on to the customers. Nitin Spinners, with its cotton yarn and fabric export mix, faces a similar risk. In contrast, KPR Mill is largely insulated, as it predominantly exports value-added garments, which is not impacted by the revision in RoDTEP rate. We maintain our estimates for all the stocks in our Textiles coverage universe pending further clarity on pass-through ability and order book repricing in the coming quarters.

Budget signals more to come; RoSCTL rationalization, the next risk: The Union Budget FY27 had already cut the RoDTEP allocation by ~45% to INR 100bn and RoSCTL allocation by ~50% to INR 50bn, signaling that the government would be acting to stay within the budgeted envelope. We opine that today's action regarding RoDTEP is a direct follow-through of this budget math.

Given the 50% cut in the budgetary allocation of RoSCTL, we believe a similar rate reduction is likely. If RoSCTL rates are cut by ~50%, garment and home textile exporters would be hit significantly. ROSCTL rates range from 3.5% to 7% for garment exporters and ~8.2% for home textiles exporters. Given that the customers are familiar with the cost structures, exporters should be able to pass on the impact through revised pricing on new orders gradually. If applicable, this could create near-term earnings pressure for garment exporters such as KPR Mill, Gokaldas Exports, S.P. Apparels, Pearl Global, and Arvind among others, and for home textiles exporters such as Welspun Living, and Indo Count Industries among others. At this stage, we flag it as a key policy risk for the sector.

India's export competitiveness hit: A reduction in RODTEP rate will increase the cost of the entire value chain as yarn and fabric are primary inputs for value added products. This could impact India's global competitiveness in the current scenario where tariffs are not yet waived and FTAs with the UK/EU have not been ratified yet. Though companies will try their best to pass on the increase to the customers, we opine that the pass-through will be gradual and impact in the medium term should neutralize. We retain our estimates, while depicting the impact on export companies, in this volatile market scenario. We maintain Arvind as our top pick in the sector with SOTP-TP of INR 538, valuing textiles at 10x EV/EBITDA and the Advanced Material business at 15x FY28E EV/EBITDA.

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Exhibit 1: Change in RoDTEP rate for key products

RODTEP rates	Old rates under RODTEP (% of FOB)	New rate post 50% cut (effective 23 Feb-2026)
Cotton yarn	3.4	1.7
MMF yarn	0.8-2.4	0.4-1.2
Cotton fabric	3.5-3.6	1.75-1.8
Denim fabric	3.6	1.8
MMF fabric (Polyester)	0.6-2.3	0.3-1.15
Carpets & floor coverings	1.1-3.4	0.55-1.7

Source: Directorate General of Foreign Trade, Elara Securities Research

Exhibit 2: VTEX – Earnings estimates impacted by ~4-5%

VTEX	Original estimates			Expected impact			Change (%)		
(INR mn)	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	99,039	106,199	114,012	98,586	105,724	113,507	(0.5)	(0.4)	(0.4)
EBITDA	12,452	14,984	17,367	12,415	14,510	16,862	(0.3)	(3.2)	(2.9)
EBITDA margin (%)	12.6	14.1	15.2	12.6	13.7	14.9	2 bps	-39 bps	-38 bps
PBT	10,369	12,159	14,855	10,331	11,684	14,350	(0.4)	(3.9)	(3.4)
Adjusted PAT	7,756	9,095	11,112	7,665	8,670	10,648	(1.2)	(4.7)	(4.2)
EPS (INR)	27.3	32.0	39.1	26.9	30.5	37.4	(1.2)	(4.7)	(4.2)

Source: Elara Securities Estimate

Exhibit 3: ARVND – Earnings estimates impacted by ~5-7%

VTEX	Original estimates			Expected impact			Change (%)		
(INR mn)	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	92,610	102,706	114,812	92,587	102,346	114,410	(0.0)	(0.3)	(0.4)
EBITDA	9,988	11,448	13,560	9,964	11,089	13,158	(0.2)	(3.1)	(3.0)
EBITDA margin (%)	10.8	11.1	11.8	10.8	10.8	11.5	-2 bps	-31 bps	-31 bps
PBT	5,740.6	6,696.2	8,551.5	5,717	6,337	8,150	(0.4)	(5.4)	(4.7)
Adjusted PAT	4,219	5,022	6,414	4,202	4,753	6,112	(0.4)	(5.4)	(4.7)
EPS (INR)	16.1	19.2	24.5	16.1	18.2	23.3	(0.4)	(5.4)	(4.7)

Source: Elara Securities Estimate

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