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TIME TO LIGHT THE CANNONS



We initiate coverage on the textiles sector with **BUY** on Arvind, Nitin Spinners, and Sanathan Textiles. India has, traditionally, been a textile powerhouse but lost market share in the global apparel trade, which has been stagnant at 3-4% over the past 15Y. However, we believe India is at an inflection point to regain its lost glory, led by i) a strengthening domestic MMF ecosystem via PLI schemes, PM MITRA parks, petchem capacity adds, etc; ii) free trade agreements (FTAs) with major economies like EU, UK, Australia, etc; iii) 7-8% US tariff gap vis-à-vis China; iv) favorable regulatory taxes (import duties/GST rate); v) robust corporate balance sheets; and vi) the fastest-growing domestic apparel market. Accordingly, we estimate our coverage universe to log revenue/EBITDA/APAT CAGR of 21/34/45%, respectively, over FY26-28E.

Resilience to withstand blows

Indian textile and apparel manufacturers have largely emerged unscathed from multiple shocks like the pandemic (CY20/21), Russia-Ukraine war (CY22), hostile US tariff rates (CY25), etc. We believe the ongoing West Asia crisis, too, will have short-term impact on margins (higher energy, logistics costs), which should see a sharp recovery on attaining normalcy. Backed by a robust domestic market, favorable USD-INR rate, and strong balance sheet, we believe domestic players would be able to absorb future shocks too.

Spinners – An attractive category

Per USDA, global cotton demand will outpace supply in the upcoming season, as cotton production is likely to be hit by the El Niño effect, lower water reservoir levels, etc. Prices of domestic cotton fiber/yarn (Count-30) have already increased ~15%/29%, respectively, in CY26TD, while the premium of domestic cotton to US cotton prices has reduced to only 4-5pp (including the logistic and insurance cost) from ~20pp (Q4FY26 average). Given the likely global cotton shortage, we expect yarn spreads to at least be rangebound at current levels in the near term; this augurs well for cotton spinners. Meanwhile, a sharp rise in PTA and MEG prices (crude oil derivatives) led to polyester spreads falling to negative 1SD. However, we see spot spreads bottoming out, as any signs of easing Middle East (ME) tensions will release pressure on PTA/MEG prices. Also, addition of ~2.5mtpa domestic PTA capacity in 2HCY26 will cut import dependency.

Technical textiles – The sunrise segment

Technical textiles find applications in packaging materials, defense uniforms/equipment, auto interiors, industrial ropes/nets, etc, and enjoy superior operating margins (15-30%). Technical textiles' domestic market size saw 7-8% CAGR over FY20-26P; we expect this to increase to early-double digits over the next 5Y, mainly on the back of 1) multiple FTAs; 2) tariff differential vs China; 3) ecosystem boost led by PLIs and PM MITRA parks; and 4) GST cuts on MMF fibers and yarns to 5% (from 12%).

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Rating, Target Price and Valuation

	Rating	CMP (Rs)	TP (Rs)	Upside (%)	EBITDA margin (%)		RoE (%)		P/E (x)	
					FY27	FY28	FY27	FY28	FY27	FY28
Arvind	BUY	494	700	42	11.9	12.7	13.9	15.3	21.7	17.5
Nitin Spinners	BUY	536	750	40	17.0	17.8	17.5	18.6	10.8	8.5
Sanathan Textiles	BUY	395	550	39	8.5	10.9	6.8	16.3	25.4	9.4

Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarquessolutions)

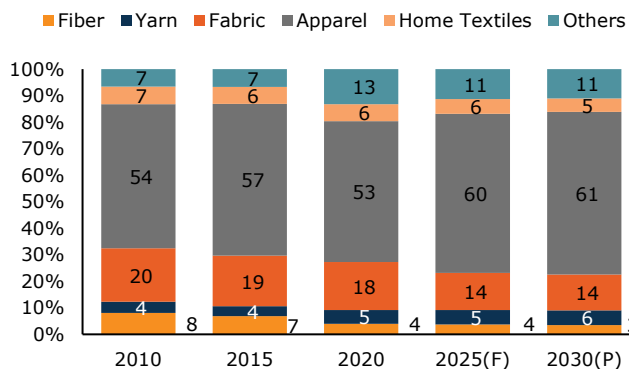
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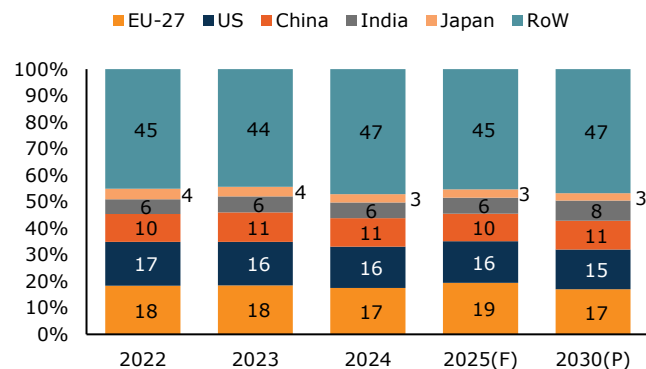
Story in charts

Exhibit 1: Apparel is the mainstay of global textiles and apparel trade



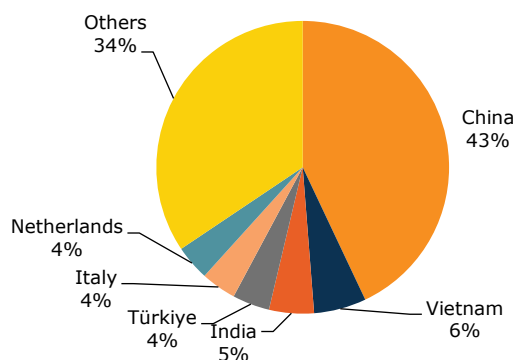
Source: Industry, Emkay Research; Note: F=Forecasted, P=Projected

Exhibit 2: EU-27, US, China, and India account for ~50% of global apparel market



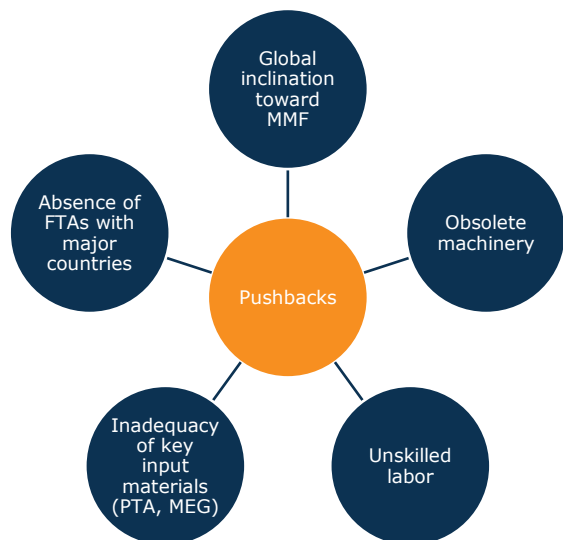
Source: International Trade Centre, Emkay Research; Note: F=Forecasted, P=Projected

Exhibit 3: China and Vietnam together export ~50% of global supply



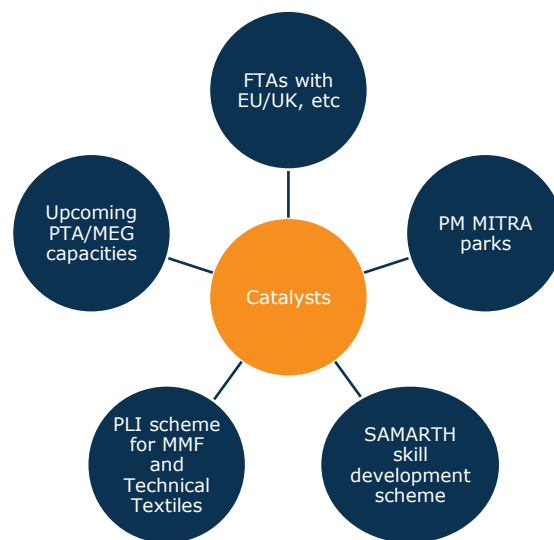
Source: Industry, Emkay Research

Exhibit 4: While multiple factors led to India's slippage of share in global trade of textiles and apparel...



Source: Emkay Research

Exhibit 5: ...structural catalysts should now help India regain its lost glory



Source: Emkay Research

Exhibit 6: If the FTA with Canada goes through, India will have favorable trade duties with all major apparel-importing countries

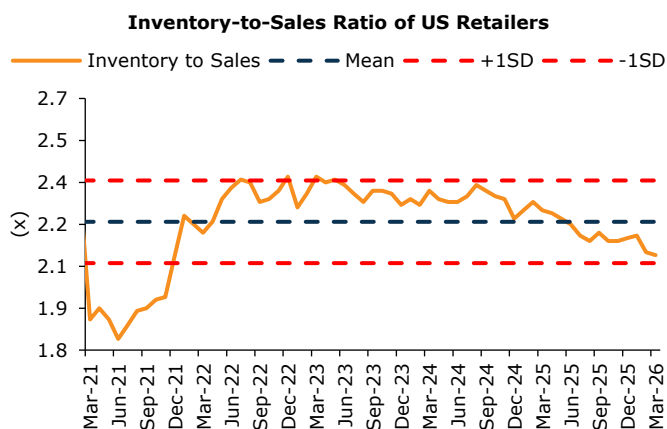
From \ To	US pre-tariff	US post-tariff	EU	Japan	UK	Canada
	(MFN)	(May-26)				
China	16.5-32%	~34-50%	~12%	~9-13%	~12%	~16-18%
Bangladesh	16.5-32%	~26.5-42%	0%	0%	0%	0%
Vietnam	16.5-32%	~26.5-42%	0-3%	0%	0-3%	0%
Ethiopia	16.5-32%	~26.5-42%	0%	0%	0%	0%
Kenya	16.5-32%	~26.5-42%	0%	~7-13%	0%	~16-18%
Indonesia	16.5-32%	~26.5-42%	~12%	0%	~9.6%	~16-18%
India	16.5-32%	~26.5-42%	~12%→0%	0%	~12%→0%	~16-18%

Source: Industry, Emkay Research; Note: US MFN ranges from ~16.5% (cotton apparel) to ~32% (MMF apparel); US post-tariff = MFN + 10% u/s 122 (applicable till 23-Jul-26; China attracts additional 7.5% u/s 301); India EU duty falls to 0% once the FTA is ratified by the EU parliament (12-15 months); UK's import duty on India will fall to 0% on FTA coming into force (expected in 2HCY26)

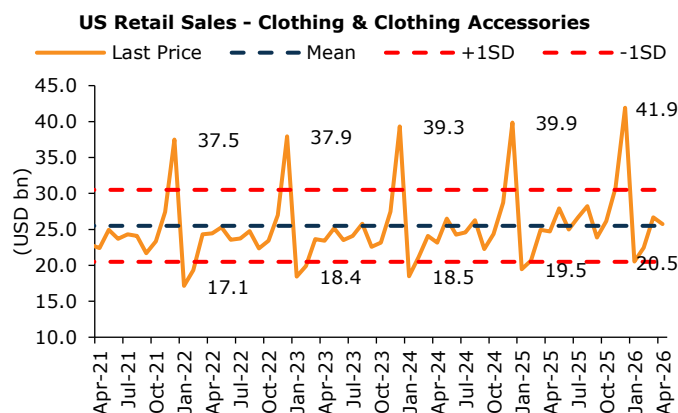
Exhibit 7: FTA status with major countries

Sr No	FTA partner (country)	Status	Apparel market size (USD bn)
1	UAE	In force; implemented on May-22	10-15
2	Australia	In force; implemented on Dec-22	30-40
3	UK	Implementation expected in H2CY26	50-60
4	New Zealand	Implementation expected in H2CY26	2-4
5	Canada	Likely to sign agreement by H2CY26-end	35-40
6	EU-27 (European Union)	Implementation expected in H2CY27	370-400

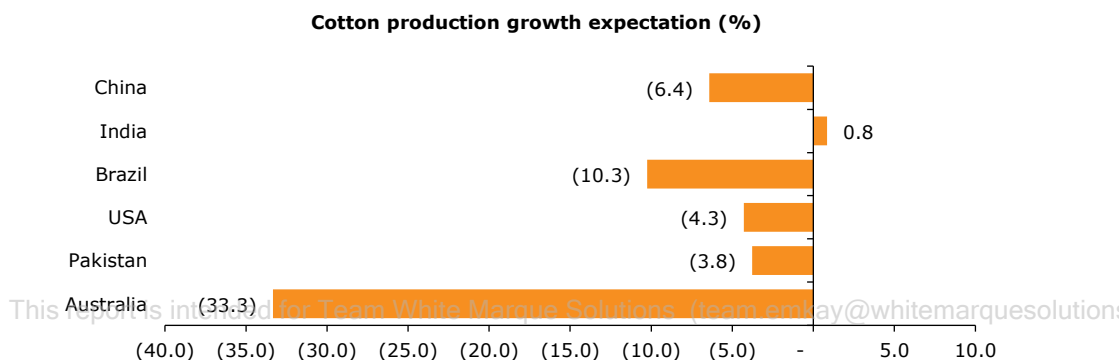
Source: Industry, Emkay Research

Exhibit 8: Inventory-to-sales of US retailers at -1SD should...

Source: Bloomberg, Emkay Research

Exhibit 9: ...compel them to place fresh orders with rising store sales

Source: Bloomberg, Emkay Research

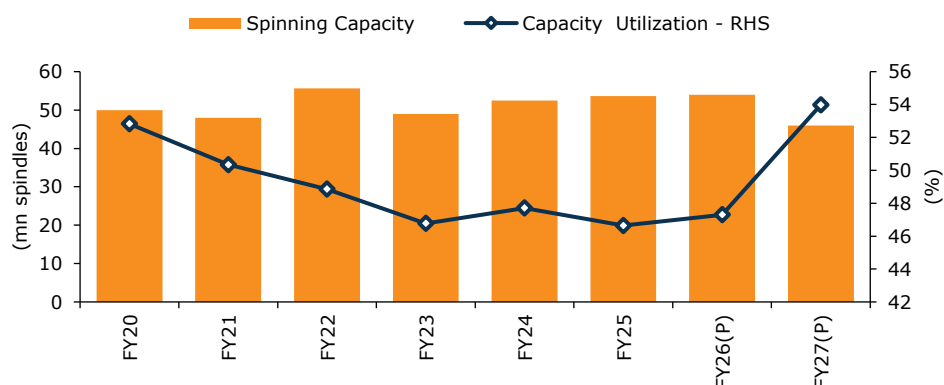
Exhibit 10: USDA estimates lower global cotton production owing to weather uncertainties

Source: USDA, Emkay Research

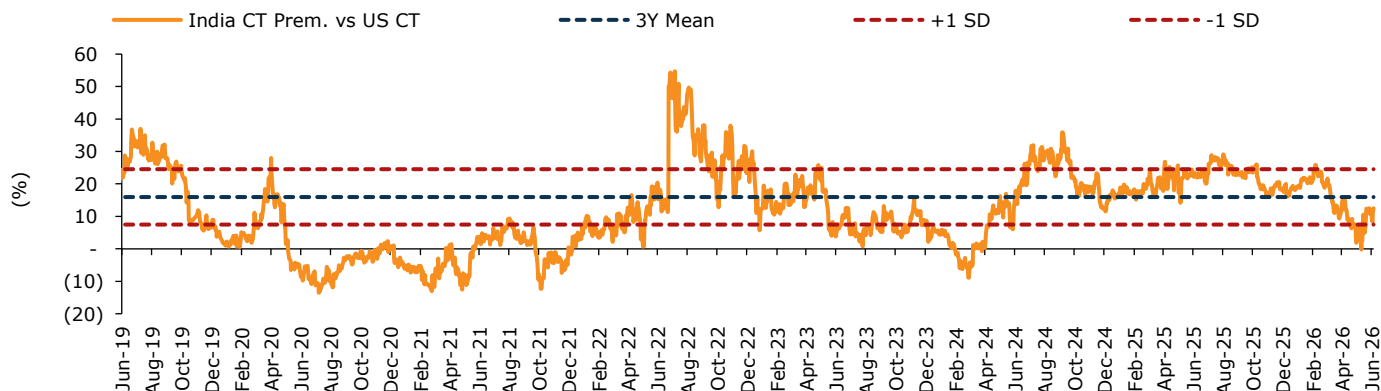
Exhibit 11: Incremental China demand to result in lower yarn availability for domestic consumption

Particulars (mn ton)	Steady-state	Likely scenario in FY27E
Cotton yarn production (A)	3.7	3.7
India cotton yarn exports (B)	1.2	1.2
Incremental exports to China (C)	0	0.2
Residual yarn for domestic consumption (D) = (A) - (B+C)	2.5	2.3

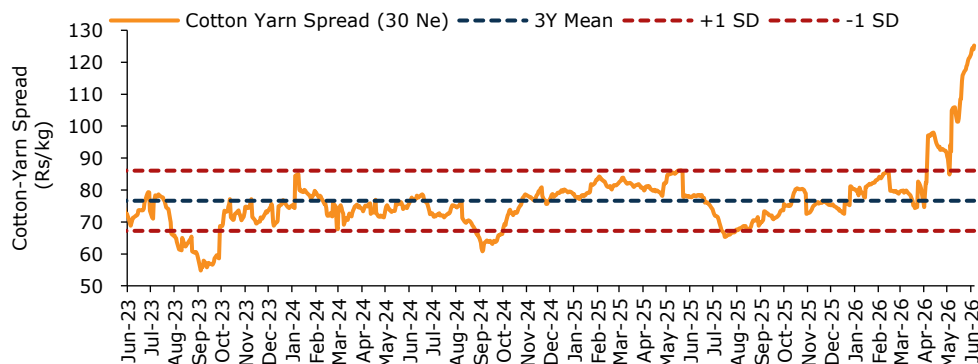
Source: Industry, Emkay Research

Exhibit 12: With demand outpacing supply, we expect higher utilization for spinners

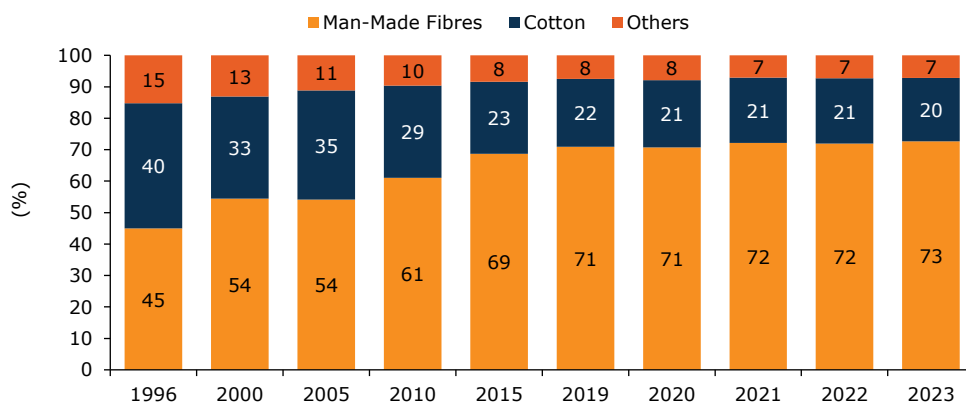
Source: Industry, Emkay Research

Exhibit 13: Post the removal of 11% import duty, premium over international cotton is mere 4-5pp (including the logistic and insurance cost)

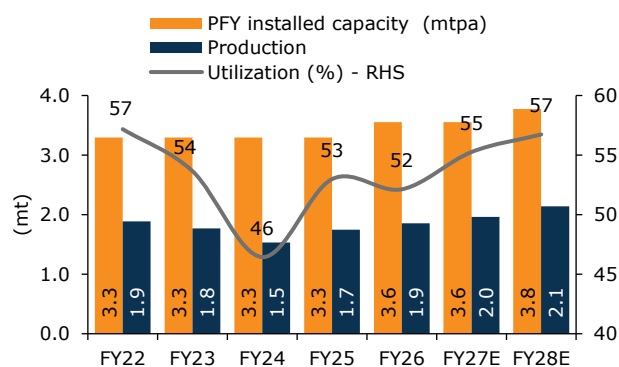
Source: Industry, Bloomberg, Emkay Research

Exhibit 14: 30-count yarn spread above +1 SD level

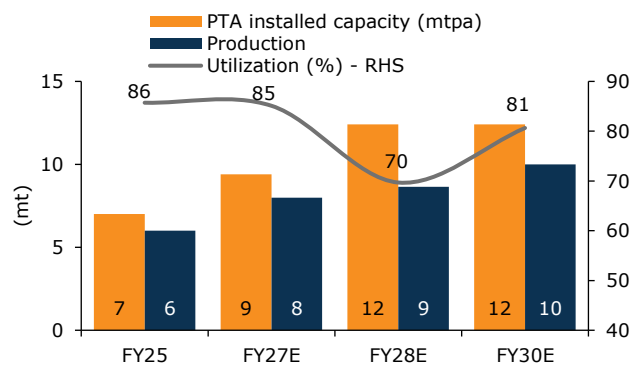
Source: Industry, Emkay Research

Exhibit 15: MMF captures >70% of global production

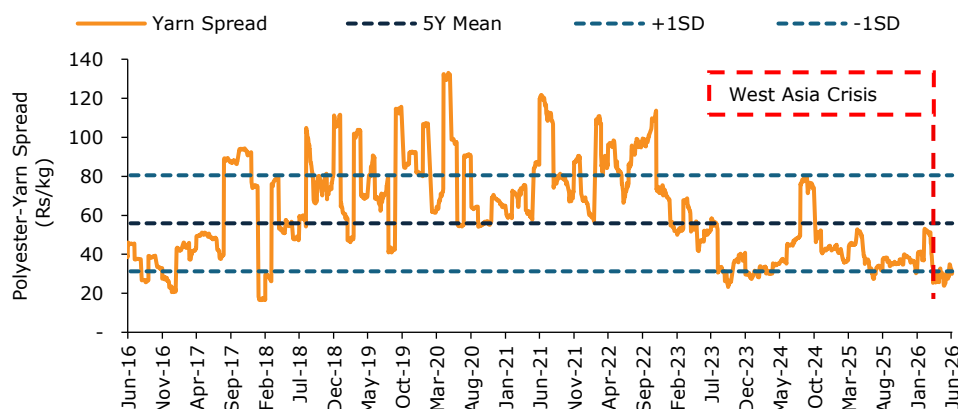
Source: Industry, Emkay Research

Exhibit 16: We expect better yarn utilization, led by China's focus on margins vs volumes

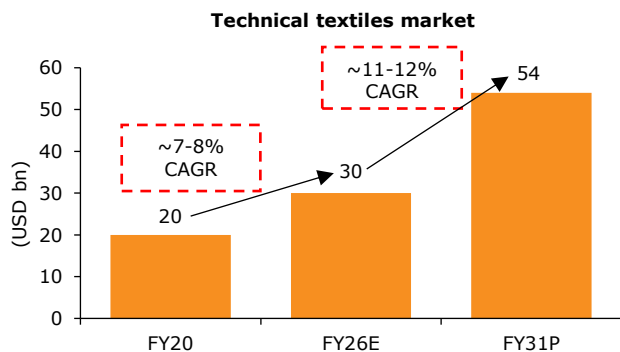
Source: Industry, Emkay Research

Exhibit 17: We expect PTA capacity utilization to decline to 70% in FY28, paving the way for benign PTA prices

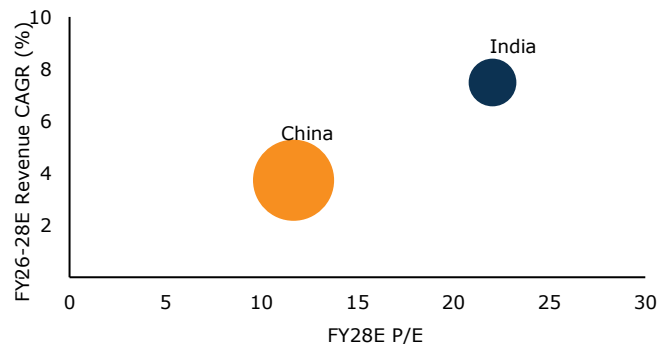
Source: Industry, Emkay Research

Exhibit 18: We observe a sharp rise in PTA prices to lead polyester spreads below -1SD

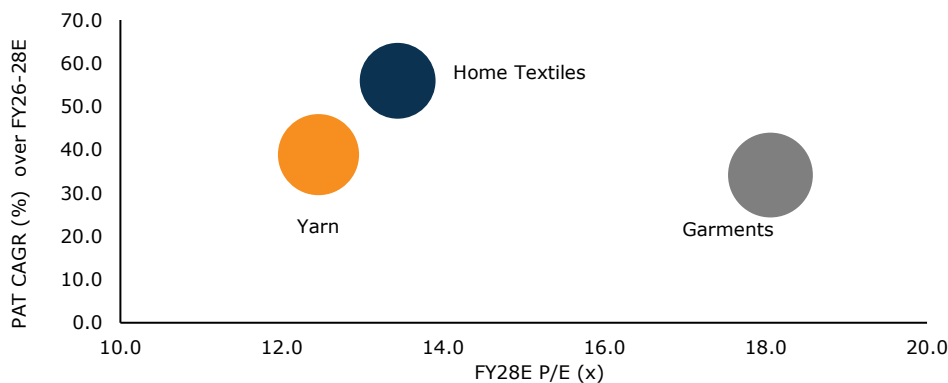
Source: Industry, Bloomberg, Emkay Research

Exhibit 19: The Technical Textiles segment has seen brisk growth in domestic markets

Source: Industry, Emkay Research

Exhibit 20: Country-wise garment manufacturers' classification by growth and valuation

Source: Company, Bloomberg, Emkay Research; Note: Chinese companies include Shenzhou International, Crystal International, and Bosideng International; Indian companies include Pearl Global Industries, KPR Mill, Arvind, and Gokaldas Exports; bubble area is proportional to current market capitalization

Exhibit 21: Yarn players enjoy better margin profiles than Home Textiles companies

Source: Company, Bloomberg, Emkay Research; Note: Yarn companies include Vardhman Textiles, Nitin Spinners, and Sanathan Textiles; Garments companies include KPR Mills, Arvind, Pearl Global Industries, Gokaldas Exports, and SP Apparels; Home Textiles companies include Welspun Living, Trident, and Indo Count Industries; Bubble area is proportional to FY28E PAT margin

Exhibit 22: Relative valuation of domestic textile companies

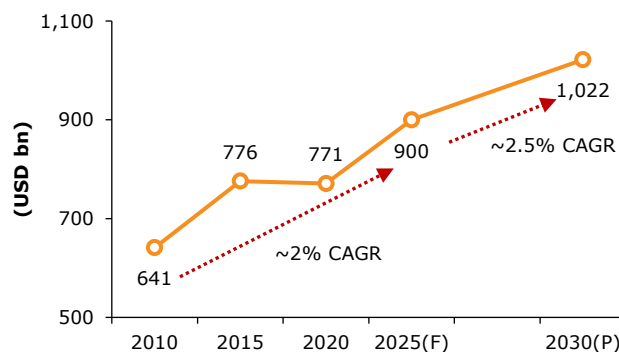
Basis	Company	Rating	TP (Rs)	CMP (Rs)	Mcap (Rs bn)	CAGR FY26-28E (%)			RoE (%)			P/E (x)		
						Revenue	EBITDA	EPS	FY26	FY27E	FY28E	FY26	FY27E	FY28E
	Yarn													
C	Vardhman Textiles	NR	NA	631	183	10.8	26.7	32.9	7.4	10.9	10.8	24.3	15.1	13.7
SA	Nitin Spinners	BUY	750	536	30	17.1	31.7	41.2	12.8	17.5	18.6	17.0	10.8	8.5
C	Sanathan Textiles	BUY	550	395	33	35.5	63.4	114.6	4.2	6.8	16.3	43.1	25.4	9.4
	Garments													
C	KPR Mill	NR	NA	1,083	370	13.3	18.8	18.9	16.2	17.3	17.6	42.7	34.8	30.2
C	Arvind	BUY	700	494	129	15.9	25.9	30.9	11.0	13.9	15.3	30.0	21.7	17.5
C	Pearl Global Industries	NR	NA	1,665	77	14.2	27.9	28.0	20.5	22.5	23.5	28.3	21.7	17.3
C	Gokaldas Exports	NR	NA	694	51	18.7	35.6	72.9	5.0	9.0	11.4	50.8	24.2	17.0
C	SP Apparels	NR	NA	815	20	11.7	12.9	25.9	12.8	13.2	13.7	20.3	15.0	12.8
	Home Textiles													
C	Welspun Living	NR	NA	144	138	16.1	49.6	93.0	3.6	11.8	15.0	59.5	23.1	16.0
C	Trident	NR	NA	24	124	8.4	17.8	17.3	6.7	8.9	9.6	33.1	28.3	24.0
C	Indo Count Industries	NR	NA	325	64	21.0	39.5	89.0	6.9	11.4	15.7	50.4	22.1	14.1
	Technical Textiles													
C	Garware Technical Fibres	NR	NA	672	67	10.6	15.9	15.9	15.7	15.7	15.9	30.4	27.6	22.6

Source: Company, Bloomberg, Emkay Research

Apparel: The structural backbone

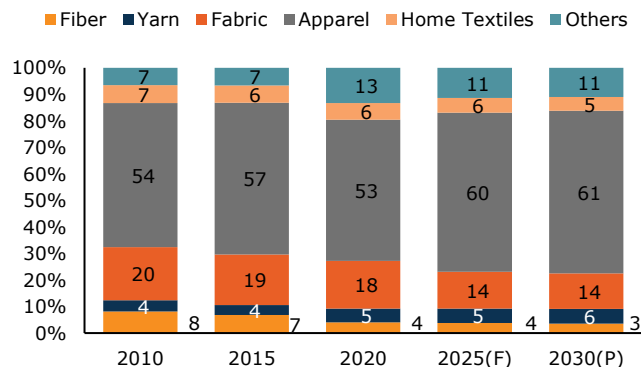
Per the industry, global textile and apparel (T&A) trade was valued at ~USD900bn in CY25 (projected). We expect this trade to expand at a similar rate as in past years (15-year CAGR), and estimate it to reach ~USD1trn by CY30. Apparel trade will remain the standout performer, and is expected to outpace other textile segments, despite a high base. Accordingly, we see apparel's share surpass 60% (value wise) in the overall global T&A market by CY30E.

Exhibit 23: Apparel to be primary demand driver in global T&A trade...



Source: Industry, Emkay Research; Note: F=Forecasted, P=Projected

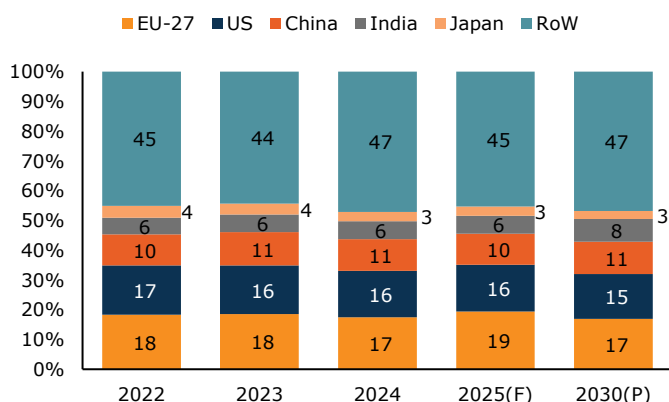
Exhibit 24: ...with share surpassing 60% by CY30E



Source: Industry, Emkay Research; Note: F=Forecasted, P=Projected

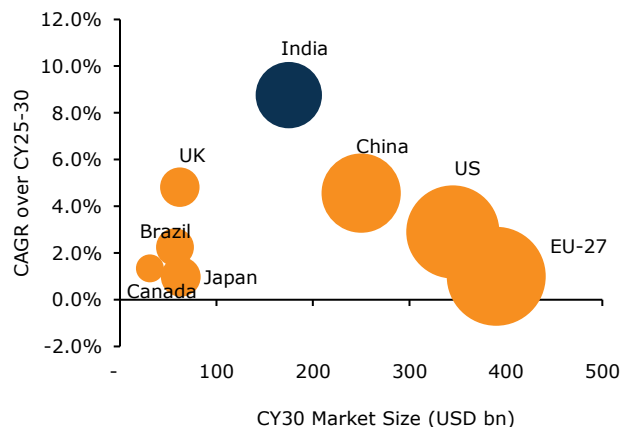
The EU-27 bloc, US, China, and India are the biggest apparel markets, combined contributing ~50% to the global apparel market. India is expected to outshine peers, led by robust domestic economic growth, PLI schemes encouraging apparel production, favorable demographic profile, increased urbanization, and higher brand consciousness.

Exhibit 25: EU-27, US, China, and India account for ~50% of global apparel market...



Source: Industry, Emkay Research; Note: F=Forecasted, P=Projected

Exhibit 26: ...where India remains the bright spot



Source: Industry, Emkay Research

Country-wise positioning in the textile chain

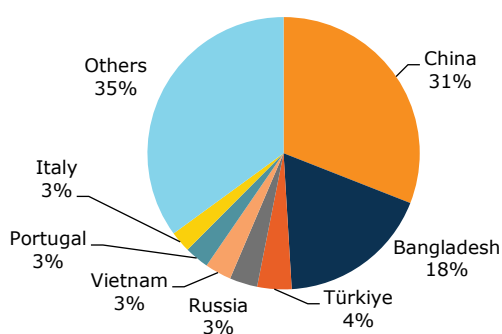
Exhibit 27: Overview of India's competitive intensity in each value chain of textiles and apparel

Segment	Cotton	Synthetic/Man-made
Fiber	Strong	Medium
Yarn	Strong	Medium
Fabric	Medium	Poor
Garment	Medium	Poor

Source: Emkay Research

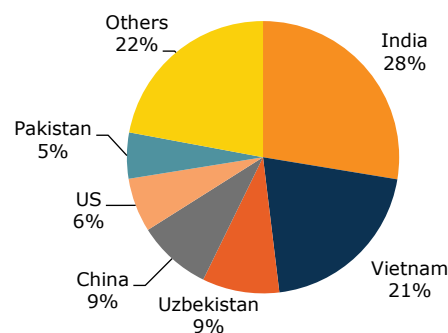
We analyzed the strength of various countries in each segment of the textile value chain. Beginning with cotton yarn, as per global trade data (CY24), China (~30%) and Bangladesh (~20%) are the largest importers, feeding ~50% of global cotton yarn into their huge fabric/apparel industries. India contributes more than a quarter of global supply of cotton yarn, on the back of its leadership in cotton production and spindle capacity (both at No 2 after China, but given the ban on Xinjiang cotton, China relies on other countries for its yarn requirements).

Exhibit 28: China is the largest cotton yarn importer...



Source: International Trade Centre, Emkay Research

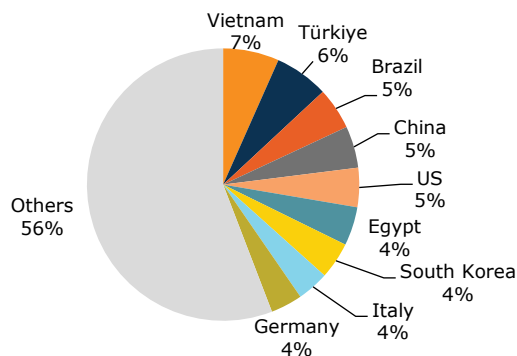
Exhibit 29: ...while India supplies >25% of cotton yarn globally



Source: International Trade Centre, Emkay Research

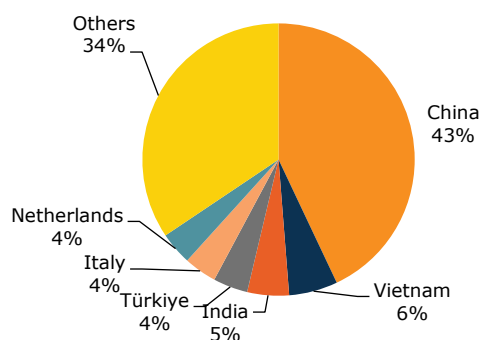
However, the lack of input materials and advanced machinery, along with dependency on cotton fiber, puts India on the backfoot as far as producing man-made textiles is concerned. In the man-made/synthetic yarn segment, China and Vietnam, with huge petrochemical capabilities, supply ~50% of global synthetic yarn requirements. MMF yarn importing countries are fragmented, but Germany and Italy (largest markets of EU) import ~8% of global yarn.

Exhibit 30: Germany and Italy (part of EU) together import 8% of global MMF



Source: International Trade Centre, Emkay Research

Exhibit 31: China and Vietnam together export ~50% of global supply

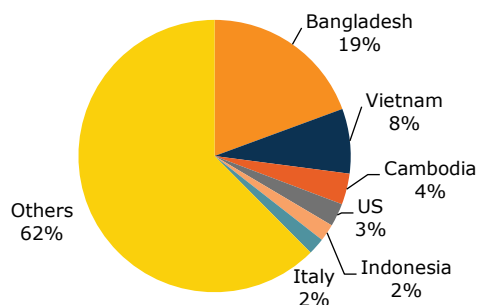


Source: International Trade Centre, Emkay Research

Moving a notch lower in the value chain, we have depicted the top importers of cotton and synthetic fabrics (Exhibits 32 and 33, respectively). Bangladesh, with its edge in cotton garments (>70% of garment production is cotton based), is the largest consumer of cotton

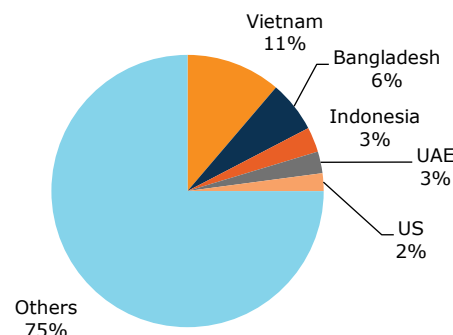
fabric. Vietnam, with its expertise in synthetic and technical textiles garments/products, is the largest importer of synthetic fabric at >10%.

Exhibit 32: Bangladesh is the largest cotton fabric importer



Source: International Trade Centre, Emkay Research

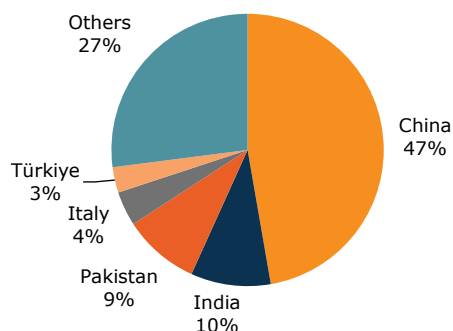
Exhibit 33: Vietnam imports >10% of synthetic fabric



Source: International Trade Centre, Emkay Research

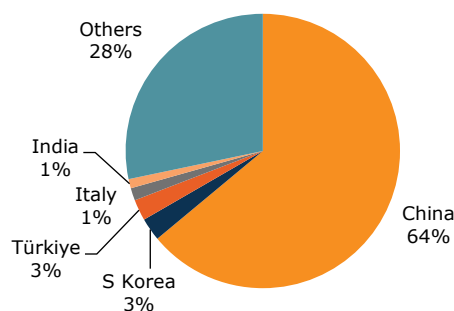
On fabric exports, China has brute control on both cotton and man-made/synthetic fabric. It supplies 2/3rd of synthetic fabric globally, while India stands at ~1%. India scores better in cotton fabric exports, with 10% export share.

Exhibit 34: India fares better in cotton fabric export share...



Source: International Trade Centre, Emkay Research

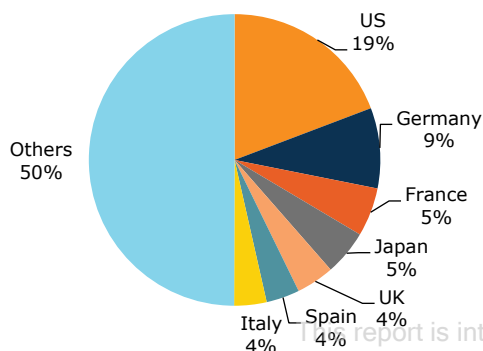
Exhibit 35: ...while China has the lion's share in synthetic fabric exports



Source: International Trade Centre, Emkay Research

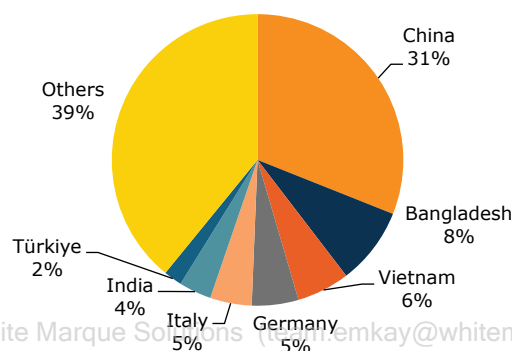
For the end-products in the value chain—garments and apparel—western countries are the biggest markets. The US, with ~20%, and EU nations like Germany, France, UK, Spain, and Italy, cumulatively at ~25%, contribute ~50% to global apparel and garments imports. On the export front, China, despite its share in total exports coming down to ~30% (vs ~37% a decade ago), is still the largest exporter of apparel (both in cotton and synthetic segments).

Exhibit 36: US and EU nations combined import ~50% of global apparel



Source: International Trade Centre, Emkay Research

Exhibit 37: Along with fabric, China remains the largest exporter of garments

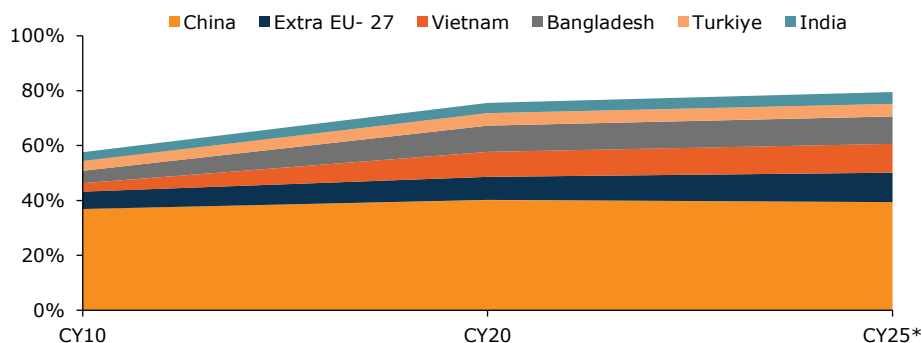


Source: International Trade Centre, Emkay Research

Broadening the bottlenecks

While India's domestic market has been robust and resilient, its global export share has stayed flat in the past 15 years, at 3-4%. China's market-share loss to 28% in CY25 (vs 37% in CY10) was primarily captured by Vietnam and Bangladesh. India could not accelerate market-share gains due to the lack of the integrated nature of man-made textile production, favorable lower duties to Vietnam and Bangladesh, expensive man-power, etc.

Exhibit 38: India's global apparel export share stood flat at ~3% (in the past 1.5 decades) owing to the product-supply chain fit



Source: Industry, Emkay Research; Note: *Advance estimates

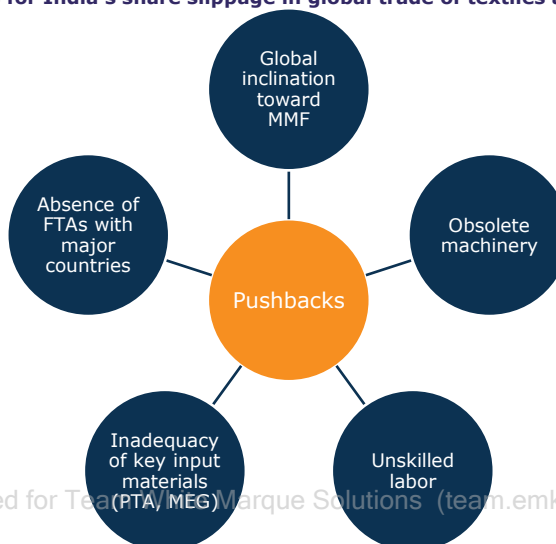
We compared India vs peers and observed its overall standing to be somewhere in the middle of the heap. India scores best in cotton integration, but fares poorly in MMF. China and Vietnam are able to compensate its expensive (but highly skilled) labor through their proficiency in manufacturing better-priced (and better-margin yielding) technical textiles with a high degree of automation.

Exhibit 39: Benchmarking India vs major textile and apparel producing nations

Cost Element	India	China	Bangladesh	Vietnam	Ethiopia	Kenya
Cost of Labor (USD/month)	USD150-270	USD320-520	USD113-133	USD250-470	USD30-70	~USD125-130
Labor Skills	Medium	High	Medium	Medium-to-High	Low	Low-to-Medium
Electricity (USD/kWh)	~USD0.108	USD0.088-0.120	~USD0.100	~USD0.080	USD0.014-0.022	~USD0.19
Lead Time (no of days)	50-70	30-50	90-120	50-70	90-120	60-90
Cost of Debt (WC Loan rate)	9-12%	3-4%	12-14%	6-8%	12-15%	14-18%
Textile Integration	High	High	Medium	Low-to-Medium	Low	Low

Source: Industry, Emkay Research

Exhibit 40: Reasons for India's share slippage in global trade of textiles and apparel



Source: Emkay Research

Free trade agreements (FTAs)

Favorable duty structures provided (by major western countries) to countries like Bangladesh, Vietnam, and various African nations have aided market-share gains over India. For instance, garment exports to the UK from Bangladesh attract nil duty while ~12% duty is levied on Indian imports (UK FTA yet to be implemented). Given the wafer-thin margins in cotton textiles, a 12% duty hurts the selling capability of Indian exporters and results in loss of market share.

Exhibit 41: If the FTA with Canada goes through, India will have favorable trade duties with all major apparel-importing countries

From \ To	US pre-tariff	US post-tariff	EU	Japan	UK	Canada
	(MFN)	(May-26)				
China	16.5-32%	~34-50%	~12%	~9-13%	~12%	~16-18%
Bangladesh	16.5-32%	~26.5-42%	0%	0%	0%	0%
Vietnam	16.5-32%	~26.5-42%	0-3%	0%	0-3%	0%
Ethiopia	16.5-32%	~26.5-42%	0%	0%	0%	0%
Kenya	16.5-32%	~26.5-42%	0%	~7-13%	0%	~16-18%
Indonesia	16.5-32%	~26.5-42%	~12%	0%	~9.6%	~16-18%
India	16.5-32%	~26.5-42%	~12%→0%	0%	~12%→0%	~16-18%

Source: Industry, Emkay Research; Note: US MFN ranges from ~16.5% (cotton apparel) to ~32% (MMF apparel); US post-tariff = MFN + 10% u/s 122 (applicable till 23-Jul-26; China attracts additional 7.5% u/s 301); India EU duty falls to 0% once the FTA is ratified by the EU parliament (12-15 months); UK's import duty on India will fall to 0% on FTA coming into force (expected in 2HCY26)

However, in the past ~3 years, India has entered into FTAs with major economies like the EU, the UK, Australia, the UAE, and New Zealand. Further, per media articles ([India-Canada FTA news source](#)), India could possibly sign an FTA with Canada at H2CY26-end. This would entail an Indian FTA with all major garment-consuming nations.

Exhibit 42: FTA status with major countries

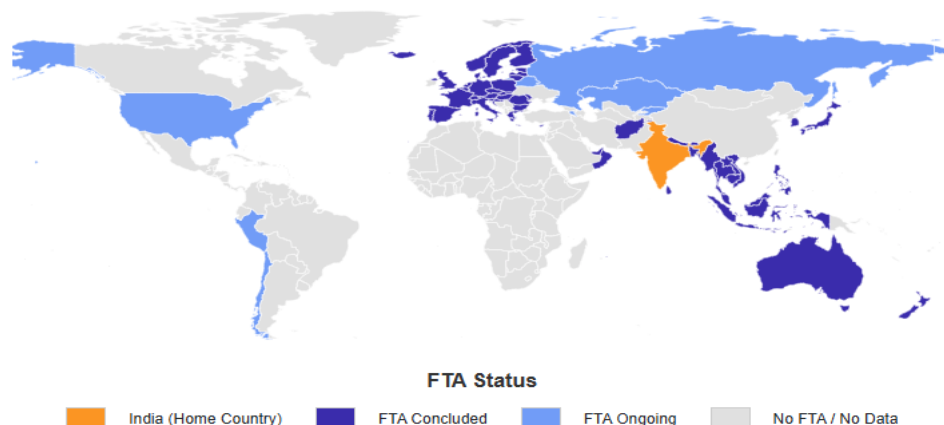
Sr No	FTA partner (country)	Status	Apparel market size (USD bn)
1	UAE	In force; implemented on May-22	10-15
2	Australia	In force; implemented on Dec-22	30-40
3	UK	Implementation expected in H2CY26	50-60
4	New Zealand	Implementation expected in H2CY26	2-4
5	Canada	Likely to sign agreement by H2CY26-end	35-40
6	EU-27 (European Union)	Implementation expected in H1CY27	370-400

Source: Industry, Emkay Research

Positive impact of the abovementioned FTAs will only be realized in the medium-to-long term, as Indian exporters realign their product mix and add new customers in respective geographies.

Exhibit 43: Ongoing FTAs with Russia, Kazakhstan, Peru, Chile, etc**India's Foreign Trade Footprints (2025-26)**

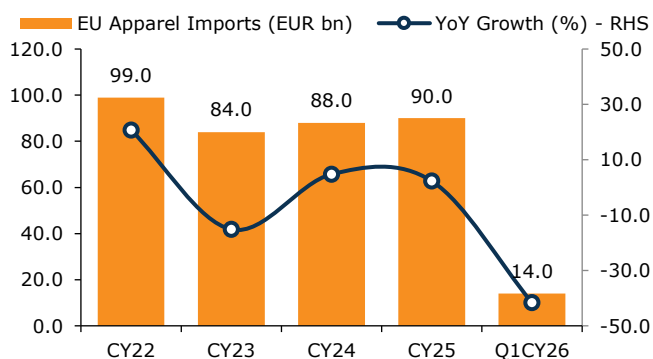
Color-coded by FTA Status | Import & Export Data in USD Billions



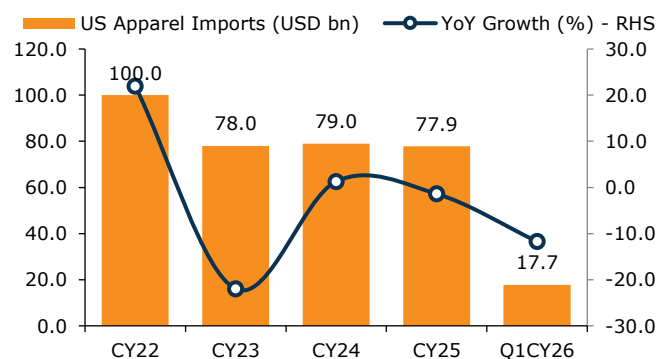
Source: Ministry of Textiles, Emkay Research

FTAs with multiple countries will diversify India's export base and insulate Indian exporters from any hostile tariff rates from a single country.

Among the abovementioned FTAs that India has signed, we are particularly bullish on its FTAs with the EU and UK. In terms of size, EU's annual apparel imports exceed those of the US and, hence, the EU provides a bigger market for Indian garment exporters.

Exhibit 44: EU apparel annual imports...

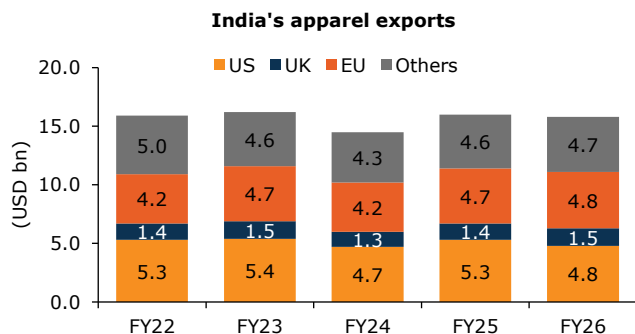
Source: Eurostat, Emkay Research

Exhibit 45: ...exceed US apparel imports

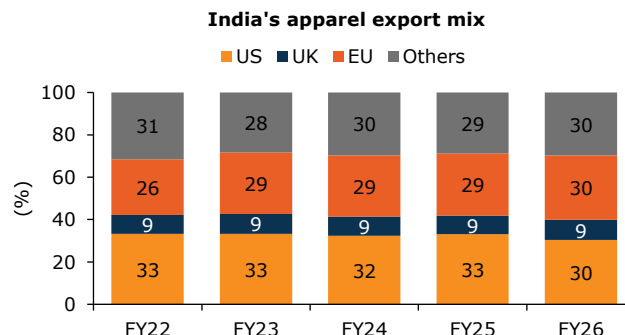
Source: Otexa, Emkay Research

India's apparel export share to the EU has increased in the past 5 years, and has now reached 30% vs ~25% in FY22. As a result, the EU and US' combined share equals the export share from India in FY26. Meanwhile, exports (from India) to the EU and the UK have extended their lead over exports to the US in FY26 vs FY22 levels.

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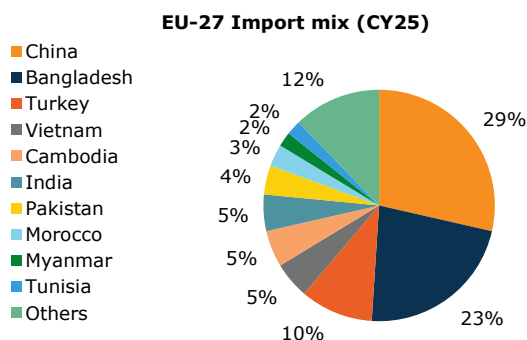
Exhibit 46: Apparel exports to EU are rising...

Source: Industry, Emkay Research

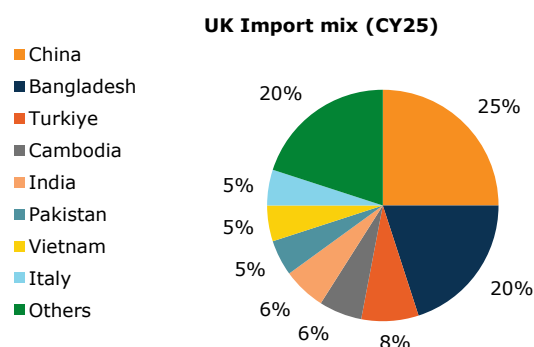
Exhibit 47: ...putting both EU and US share at similar levels for Indian apparel exporters

Source: Industry, Emkay Research

Given that the EU imports >40% of cotton-based textiles, we see a huge headroom for Indian exporters to capture market share from Bangladesh, at least. Further, Bangladesh's cumulative exports to the EU and the UK are at a staggering 43% vs India's at ~10%. Both India and Bangladesh are heavy exporters of cotton-based products and have a similar lead time for exports to EU markets.

Exhibit 48: India has huge headroom to capture market share in the EU...

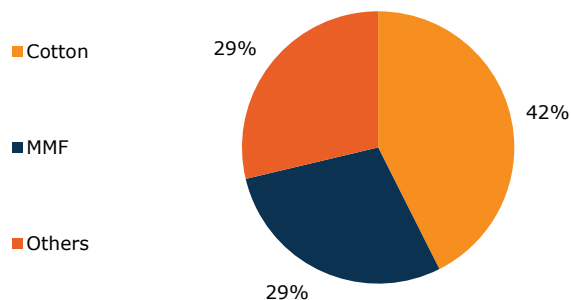
Source: Industry, Emkay Research

Exhibit 49: ...and in the UK

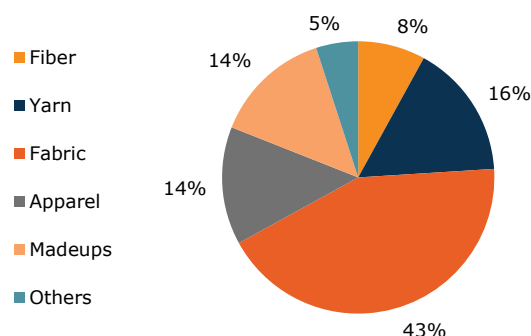
Source: Industry, Emkay Research

Hence, we believe, the upcoming EU and UK FTAs and consequent removal of ~12% import duty on Indian products will put India and competing countries like Bangladesh and Vietnam at an equal pedestal, triggering market-share gains.

Among listed players in India, we see apparel exporters like KPR Mills (NR), Pearl Global (NR), and Welspun Living (NR) having the highest exposure to the EU region.

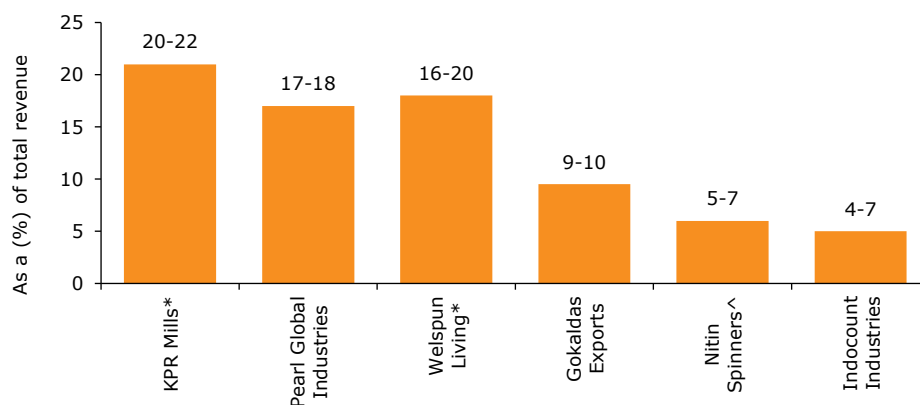
Exhibit 50: EU product-wise apparel imports

Source: Industry, Emkay Research

Exhibit 51: EU-27 category-wise apparel import share

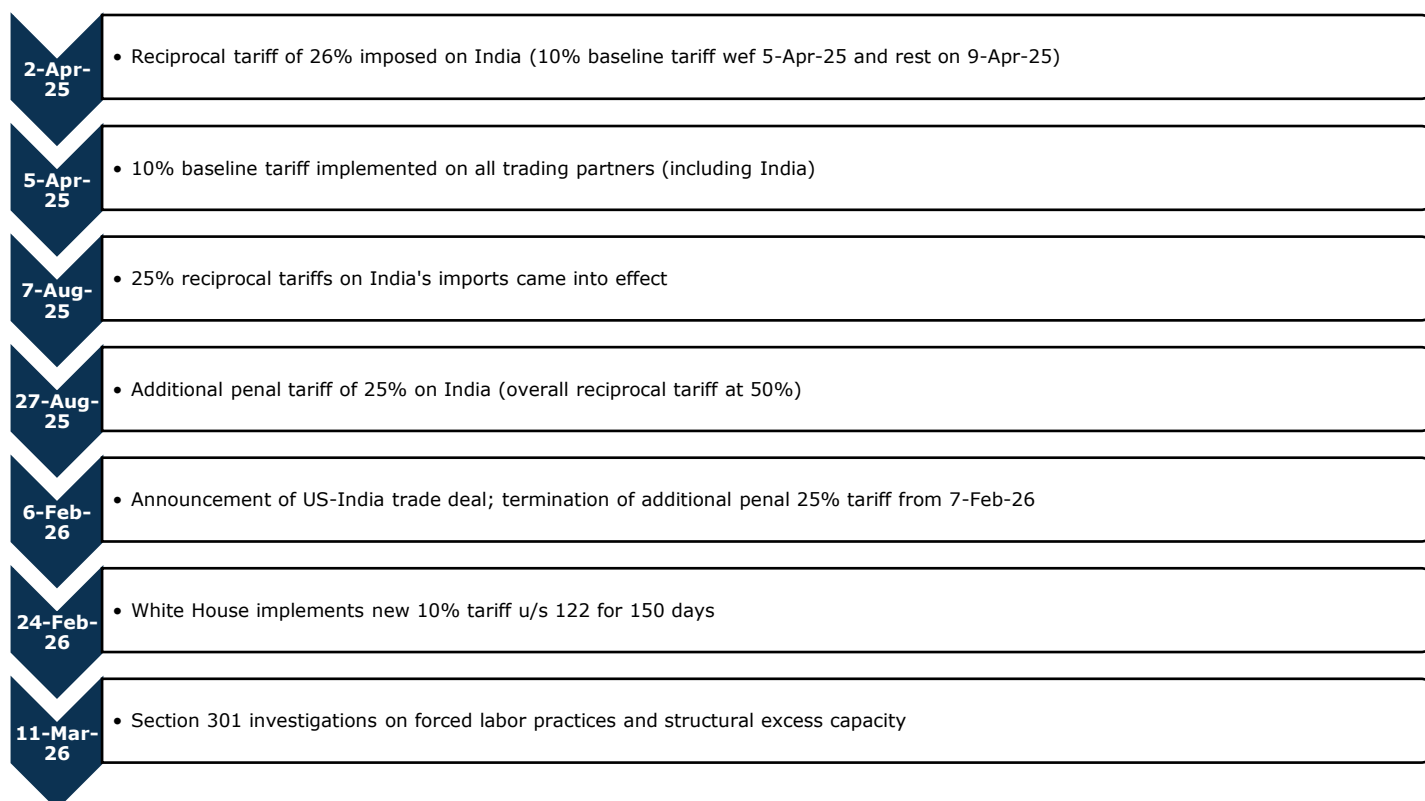
Source: Industry, Emkay Research

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Exhibit 52: Company-wise revenue exposure to the EU (FY26)

Source: Company, Emkay Research; Note: *Exposure for Europe; ^Fabric Division

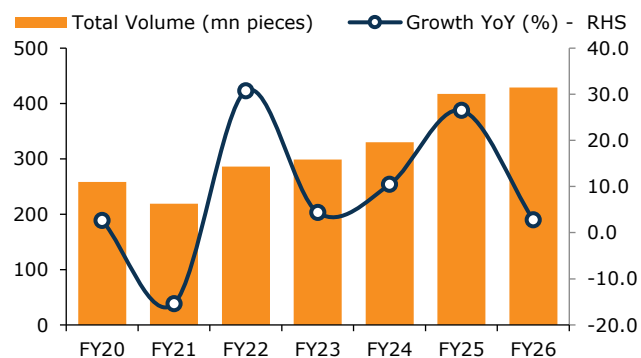
The US—the single largest apparel market—has turned attractive again for Indian exporters, following the removal of the 25% penal tariffs (levied due to purchase of Russian oil) and the US Supreme Court striking down reciprocal tariffs. After the expiry of the existing Section 122 (near mid-Jul-26), tariffs on India will be at par with those of other competing countries and 7-8% lower vs China's (including Section 301 investigations).

Exhibit 53: US reciprocal tariff timeline

Source: Industry, Emkay Research

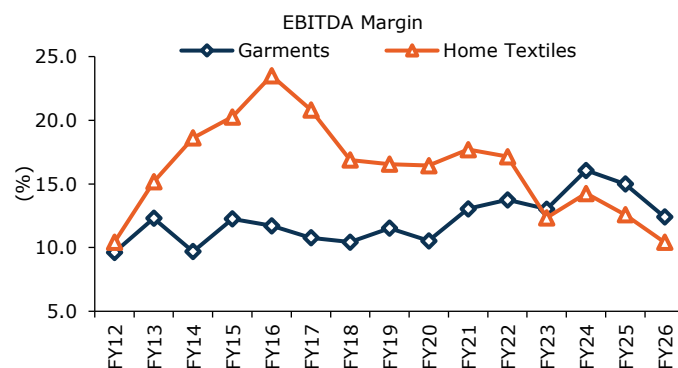
Despite facing ~50% tariffs for most of FY26, major Indian exporters reported flat YoY volume growth during the year, vs marginal decline (~1%) in US apparel imports in CY25. This implies resilience from Indian exporters to protect market share and search for new markets. However, market-share protection resulted in margin dilution. Cumulative margin loss for Garments and Home Textiles companies was at 300-400bps YoY, owing to tariff burden absorption in FY26. We expect better margin trajectory for Indian textile exporters in FY27, on negligible tariff burden sharing and benefits emanating from announced/upcoming FTAs.

Exhibit 54: Indian apparel exporting companies fiercely protected market share despite steep US tariffs...



Source: Company, Emkay Research; Note: Total volumes include volumes of KPR Mills, Arvind, Pearl Global Industries, Gokaldas Exports, and SP Apparels

Exhibit 55: ...we expect better margin profile for exporters on negligible burden sharing



Source: Company, Emkay Research; Note: Garment manufacturers include KPR Mills, Arvind, Pearl Global Industries, Gokaldas Exports, and SP Apparels; Home Textiles players include Welspun Living, Trident, and Indo Count Industries

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PLIs for apparel to help develop ecosystem for MMF

The government has approved the Production Linked Incentive (PLI) Scheme for the promotion of MMF apparel, MMF fabrics, and technical textile products. The total budgetary outlay of Rs107bn provides financial incentives to eligible companies for incremental turnover over a five-year period (FY25-26 to FY29-30).

Exhibit 56: Original PLI schedule (notified on 28-Dec-21)

Year	Gestation	Performance year	Incentive claim year	Minimum turnover (min investment: Rs3bn)	Incentive rate	Minimum turnover (min investment: Rs1bn)	Incentive rate
	FY22-23						
	FY23-24	Optional	Optional				
1		FY24-25	FY25-26	Rs6bn	15%	Rs2bn	11%
2		FY25-26	FY26-27	Rs7.5bn	14%	Rs2.5bn	10%
3		FY26-27	FY27-28	~Rs9.385bn	13%	~Rs3.13bn	9%
4		FY27-28	FY28-29	~Rs11.72bn	12%	~Rs3.91bn	8%
5		FY28-29	FY29-30	~Rs14.65bn	11%	~Rs4.88bn	7%

Source: Industry, Emkay Research

Exhibit 57: Amended PLI schedule wef 1-Aug-25

Year	Gestation	Performance year	Incentive claim year	Minimum turnover (min investment: Rs1.5bn)	Incentive rate	Minimum turnover (min investment: Rs0.5bn)	Incentive rate
	FY25-26						
	FY26-27	Optional	Optional				
1		FY27-28	FY28-29	Rs3bn	15%	Rs1bn	11%
2		FY28-29	FY29-30	Rs3.3bn	14%	~Rs1.1bn	10%

Source: Industry, Emkay Research

PLI benefits

- Direct financial incentives linked to incremental sales
- Encourages capacity expansion in MMF apparel, MMF fabrics, and technical textiles

PLI schemes will, over the medium term, help develop an ecosystem for MMF, which will benefit garment players such as Arvind, Gokaldas Exports (NR), Pearl Global (NR), etc.

Exhibit 58: PLI commitments by major textile players

Applicant Name	Location	Products to be manufactured
Gokaldas Exports	Bhopal, Madhya Pradesh	Readymade garments (outerwear, activewear, fashionwear)
Pearl Global Industries	Khargone, Madhya Pradesh	Readymade garments (dresses of synthetic fibers, blazers, nightdresses)
Donear Industries	Surat, Gujarat	Building/construction textile, special-purpose floor coverings
Himatsingka Seide	Hassan, Karnataka	Upholstery fabrics and fine count yarn, fabrics of MMF, special purpose floor coverings
Trident	Sehore, Madhya Pradesh	MMF, construction textiles, special-purpose floor coverings, medical/hygiene textiles
Arvind	• Gandhinagar, Gujarat • Bengaluru, Karnataka	MMF apparel, MMF fabrics, technical textiles, architectural membranes

Source: Industry, Emkay Research

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Other government schemes

Besides PLI, the Government of India (GoI) has laid out export schemes, like RoSCTL and RoDTEP, to boost the overall global competitiveness of the Indian textile industry. Unlike longer-gestation policy initiatives such as PLI and PM MITRA, RoSCTL and RoDTEP deliver immediate earnings support through export-linked tax remission (of various statutory taxes like electricity duty, VAT on fuel, stamp duty, etc), making it a key driver of apparel export competitiveness. The rate of duty of remission for products under RoSCTL and RoDTEP scheme is 3-5% and ~0.3-4.3% of export value (FOB), respectively. While a complete withdrawal of RoSCTL and RoDTEP (in force till 30-Sep-26) appears unlikely given their importance to export competitiveness and employment generation, future policy risk likely lies in rate rationalization instead of scheme discontinuation, we believe.

Further, the SAMARTH scheme complements capacity expansion in the textile sector by addressing skilled labor availability through industry-linked, placement-oriented workforce training programs.

Exhibit 59: Highlights of various schemes

Scheme	Objective	Key benefits
RoSCTL (Rebate of State and Central Taxes and Levies)	Cash refund to garment/home-textile exporters on embedded state/central taxes (electricity duty, fuel tax, cotton mandi tax)	- Exporters receive tradable e-scrips (tokens) up to ~5% of export value - Extended till 30-Sep-26; FY27BE outlay of ~Rs50bn
RoDTEP (Remission of Duties and Taxes on Exported Products)	RoSCTL's counterpart for yarn, fabric, technical textiles	- Exporters receive tradable e-scrips (tokens) of ~0.3-4.3% of export value - Extended till 30-Sep-26; FY27BE outlay of ~Rs100bn
SAMARTH	Funds free, placement-linked training in textile skills (garmenting, knitting, processing, crafts; ex-spinning/weaving)	- Original outlay Rs13bn (FY18-20); ~Rs5bn extension (Jan-25) runs the scheme to Mar-26 ~327k personnel trained (since 2017); ~260k (79.5%) placed; ~88.3% women. - Samarth 2.0 announced (Feb-26 Budget)

Source: Industry, Emkay Research

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Favorable import duty structure protecting domestic players

Readymade garments, home textiles, etc, attract high customs duties of 20%. These duties protect the indigenous industry from cheap imports. On the fiber side (both cotton and MMF), the customs duty is dynamic, factoring in the international input pricing scenario and export competitiveness of downstream companies (steep tariffs, geopolitical tensions, etc).

The GoI has temporarily exempted 11% customs duty (includes 5% BCD, 5% cess, and 10% surcharge) on cotton imports from 1-Jun-26 to 31-Oct-26. This ensures adequate cotton supply during off-season and allows domestic spinners to choose cheaper cotton variants in FY27 (which may be impacted by El-Nino). Similarly, customs duty on Purified Terephthalic Acid (PTA) and Mono Ethylene Glycol (MEG)—key inputs to manufacture polyester yarn—was exempted between 2-Apr-26 and 30-Jun-26, owing to steep polymer prices after the outbreak of the US-Iran conflict.

Exhibit 60: Overview of customs duty on various textile and apparel imports

Category	Import Duty	Notes
Cotton		
Raw Cotton/Fiber	Nil (temporary) → 11% from 1-Nov-26	Duty for extra-long staple cotton (>32mm) remains at nil
Cotton Yarn and Waste	~11%	Stable rate; no recent changes
Cotton Fabric (woven and knitted)	10-20%	Most woven fabric at 20%
Cotton Garments and Made-ups	10-20%	Garments – ~20%; made-ups (towels, bed linen) – ~10%
Polyester		
Raw Materials (PTA, MEG)	Nil (temporary) → 5% from 1-Jul-26	Temporary exemption until 30-Jun-26, then statutory 5%
Caprolactam, Nylon Chips	5-6%	Stable rate; no recent changes
Staple Fibers (PSF, VSF, Acrylic, Nylon)	5-6%	Stable rate; no recent changes
Filament Yarns (PFY, Nylon, Viscose)	5-6%	Stable rate; no recent changes
MMF Fabric (woven and knitted)	10-20%	Same structure as cotton fabric
MMF Garments and Made-ups	10-20%	Garments at 20%; made-ups at ~10%

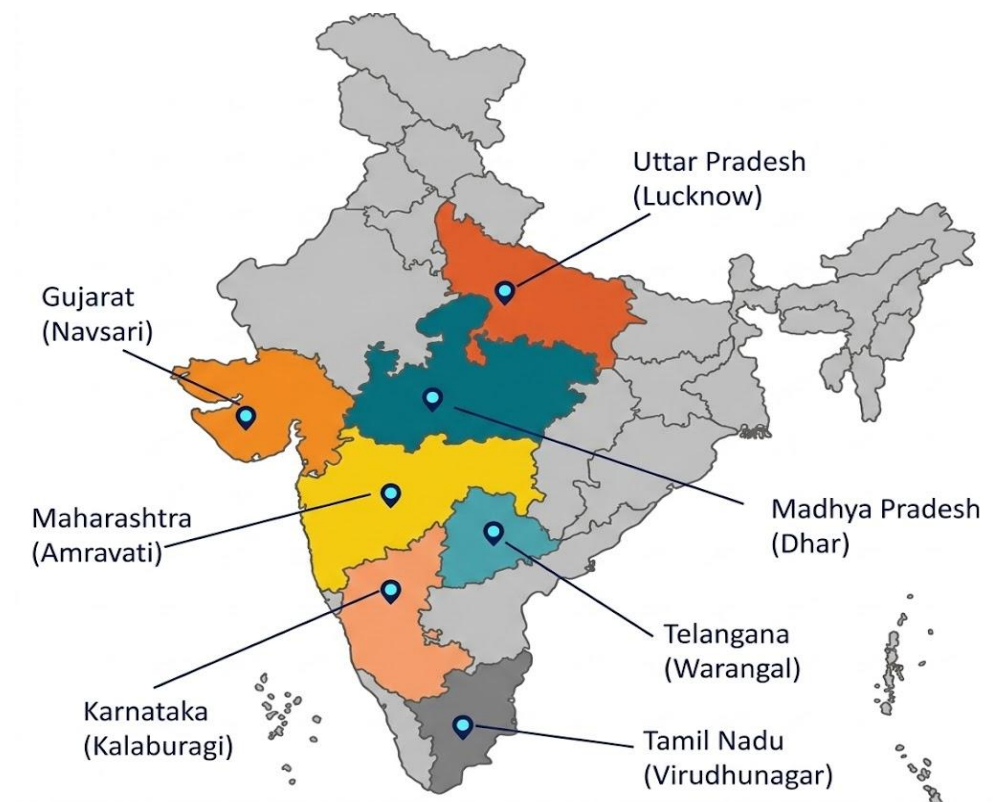
Source: Industry, Emkay Research

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PM MITRA parks move from policy to execution

The GoI is setting up seven PM Mega Integrated Textiles and Apparel (MITRA) parks in greenfield/brownfield sites, with a capital outlay of ~Rs44.5bn up to FY28. The textile parks are essentially India's answer to China's early textile industrialization strategy which led to the textile export boom in China. The Rs44.5bn budgetary outlay represents incentive support from the GoI, with participating manufacturers required to undertake the underlying capital investments and achieve prescribed turnover thresholds to qualify for disbursements.

Exhibit 61: Seven sites approved to set up MITRA parks



Source: Ministry of Textiles, Emkay Research

The parks shall aid in:

- Developing large-scale integrated textile clusters
- Creating plug-and-play infrastructure
- Facilitating export-oriented manufacturing ecosystems
- Reducing logistics costs by housing entire value chains at one location

Exhibit 62: PM MITRA Parks – Progress so far (FY26)

Park	Project area (in acres)	Investment interest received/MoUs signed (Rs bn)	Infrastructure works in progress (Rs bn)
Madhya Pradesh	2,158	241.8	8.2
Tamil Nadu	1,052	20.8	5.8
Gujarat	1,142	130.8	5.0
Karnataka	1,000	17.0	3.9
Uttar Pradesh	1,000	53.6	9.9
Maharashtra	1,020	129.3	7.7
Telangana	1,327	38.6	7.6
Total	8,699	631.8	48.1

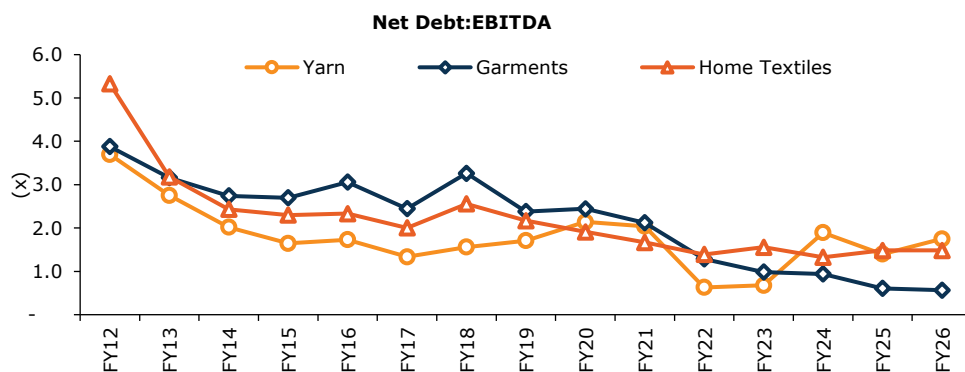
Source: Ministry of Textiles, Emkay Research

Among the seven PM MITRA parks, Dhar (Madhya Pradesh) has attracted the strongest industry response, with listed players such as Trident, Arvind, Vardhman Textiles, Sanathan Textiles, RSWM, etc, announcing investment commitments or participation proposals, highlighting early signs of cluster-led capacity creation.

Stronger corporate balance sheets

In the past decade, domestic textile and apparel companies have meaningfully reduced their leverage positions, which are now at comfortable levels, helping these companies to add capacities and take benefits of the abovementioned schemes and FTAs. For example, domestic garment companies have halved their net debt/EBITDA to 0.6x in FY26 vs 3.1x in FY16. Similarly, home textile companies have seen their leverage position reduce to 1.7x in FY26 from 2.3x in FY16.

Exhibit 63: Favorable leverage ratios should encourage capacity additions



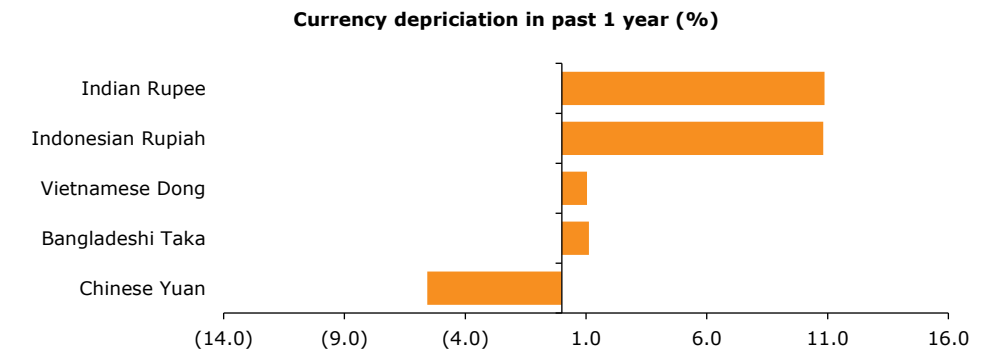
Source: Company filings, Emkay Research; Note: Yarn manufacturers include Vardhman Textiles, Nitin Spinners, and Sanathan Textiles; Garments manufacturers include KPR Mills, Arvind Ltd, Pearl Global Industries, Gokaldas Exports, and SP Apparels; Home Textiles manufacturers include Welspun Living, Trident, and Indo Count Industries

Recent rupee depreciation to boost competitiveness

Among the currencies of major global exporters, the Indian rupee has depreciated the most, by ~11%, in the past one year. Rupee depreciation improves export competitiveness and boosts rupee realizations, supporting earnings for export-oriented textile companies.

Over the past year, the currency swing in the rupee and Chinese yuan has created a ~17pp differential wrt USD. This, coupled with the 7-8% US tariff gap between Indian and Chinese products, materially strengthens India's positioning in US apparel sourcing.

Exhibit 64: Rupee depreciation should help Indian exports become more competitive in FY27

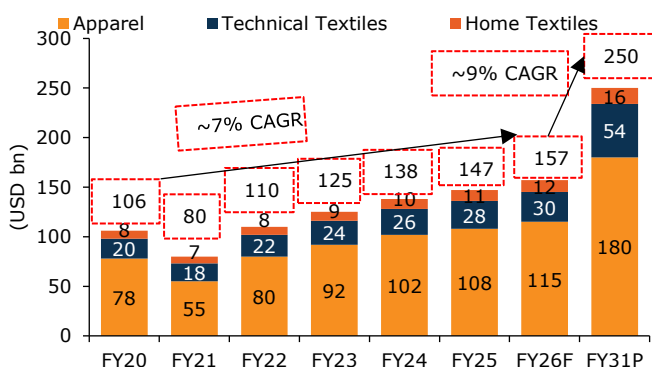


Source: Bloomberg, Emkay Research; Note: Benchmarked against USD

Domestic textile market strong; likely pick up in US exports with bottoming of inventory/sales ratio

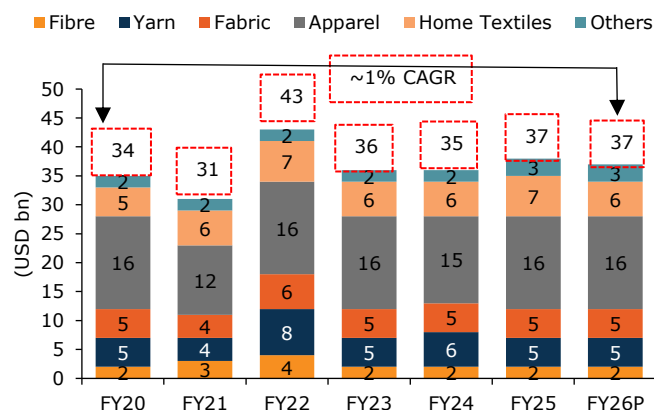
India's domestic textile and apparel market has remained resilient, delivering an estimated (per industry) ~7% CAGR over FY20-26. The apparel segment has been the nucleus of this robust growth, while Technical Textiles has received validation from customers. Going ahead, the industry is expected to see 8-9% CAGR over FY26-31, led by higher discretionary income, favorable demographic profile, and rationalization of GST rates on input materials/garments (rate cut to 5% from 12% on garments priced at Rs1,001-2,500/piece).

Exhibit 65: The domestic textile and apparel market saw 7% estimated CAGR over FY20-26...



Source: Industry, Emkay Research; Note: F=Forecasted, P=Projected

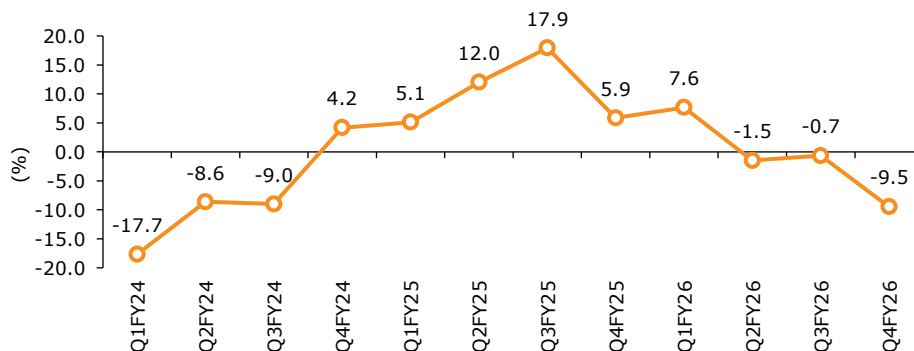
Exhibit 66: Exports should gather pace going forward



Source: Industry, Emkay Research; Note: F=Forecasted, P=Projected

However, Indian exports have not replicated the buoyancy seen in domestic markets, owing to reasons highlighted in the earlier section. Further, we have seen green shoots in FY25 exports, but exports are likely to be flat YoY in FY26E due to steep US tariffs on Indian exports and the Middle-East crisis at the end of the fiscal.

Exhibit 67: India's apparel export growth trend



Source: Industry, Emkay Research

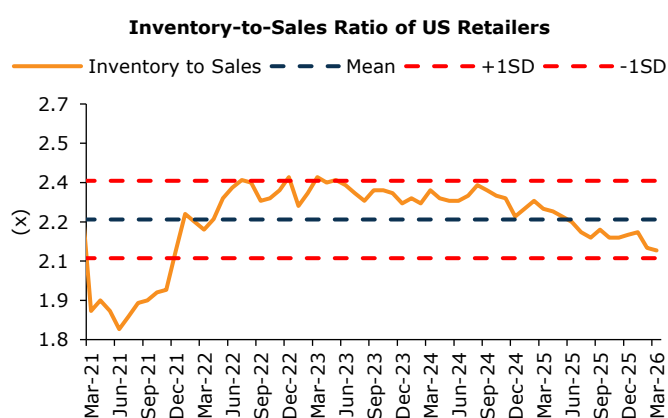
We analyzed the latest commentaries of large US retailers on demand outlook, inventory, etc. These companies remain confident about strong US demand but like to maintain a tight inventory due to war-led uncertainties.

Exhibit 68: Major US retailers remain confident about demand but prefer to maintain tight inventory due to volatile environment

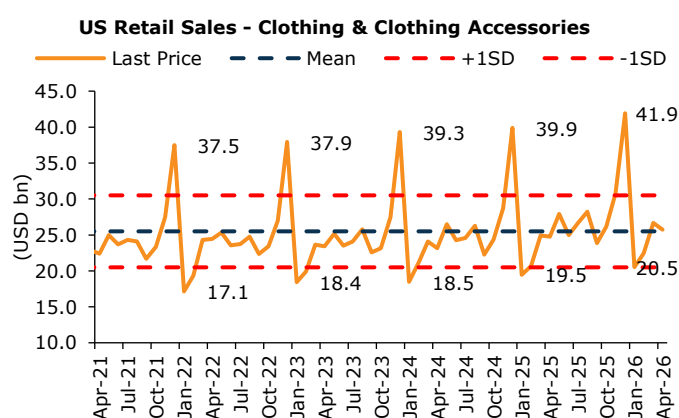
Company	Demand Outlook	Inventory	Sourcing
H&M	- US demand remains strong - Muted demand and weak consumer sentiment in Central Europe	Targets inventory of 44-51 days (vs ~55 days in CY25)	- Consolidating vendor base - Increasing near-sourcing for fast fashion
Inditex (Zara, Bershka, etc)	- US market demand remains strong; plans to add 110 stores - Positive response to spring/summer collections across regions in Europe	Trying to shorten procurement cycle, coupled with lead time	- Diversified supplier base across 50 markets - Prioritizing ESG-compliant suppliers by CY30 (aims for 100% by CY30 vs ~88% in CY25)
Carter's	- Strong Q1CY26 growth; demand softened in April - Pricing to offset volume moderation	- Inventory turns are ~4-5 months - Eliminated 20-30% of product SKUs to improve speed-to-market	Targets 75% sourcing from Vietnam, Cambodia, Bangladesh, and India in CY26 (vs 60% from China in CY25).

Source: Company, Emkay Research

We see the inventory-to-sales ratio of US retailers already at -1SD, and believe that with rising retail sales, retailers will have to start placing fresh orders with vendors.

Exhibit 69: Inventory-to-sales of US retailers at -1SD should...

Source: Bloomberg, Emkay Research

Exhibit 70: ...compel to place fresh orders with rising store sales

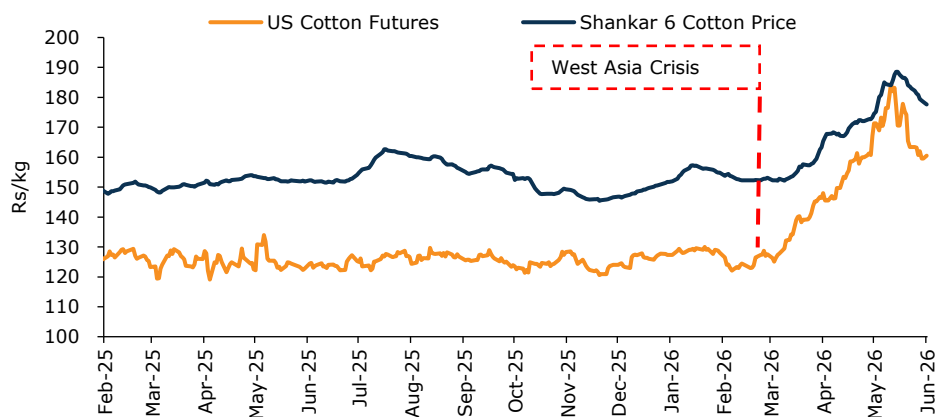
Source: Bloomberg, Emkay Research

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Cotton prices to remain sticky at higher levels; augurs well for spinners

International and domestic cotton prices have risen 23% and 15%, respectively, since the onset of the US-Iran war. We believe, besides the higher freight and insurance costs (owing to the Middle-East crisis), substitution from high polyester prices and improving mill utilization (particularly from China and Bangladesh) may have caused the spike in cotton prices.

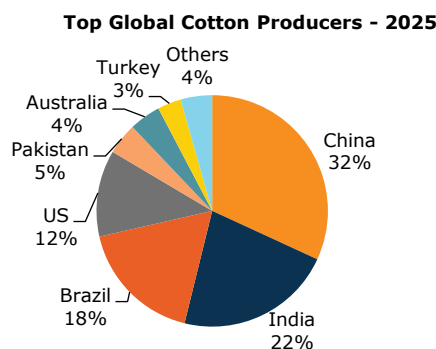
Exhibit 71: Inflation in US cotton prices has outpaced that of domestic cotton prices



Source: Industry, Bloomberg, Emkay Research

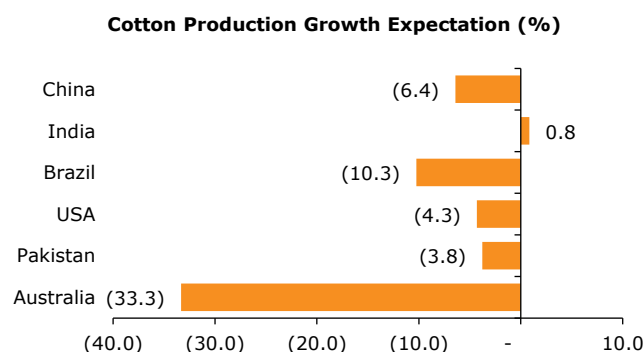
We believe cotton prices will remain sticky at elevated levels due to lower global cotton production. As per USDA, China, Brazil, US, and Australia—among the top cotton-producing nations—are expected to witness 5-30% YoY lower cotton production in CY26 owing to weather-related uncertainty (drought conditions in Texas, US) and lower acreage. Further, the US ban on China's Xinjiang cotton is still in place, with risk of the ban being applied to EU nations as well.

Exhibit 72: Factoring in the ban on Xinjiang cotton, India is the key cotton producer and supplier globally



Source: USDA, Emkay Research

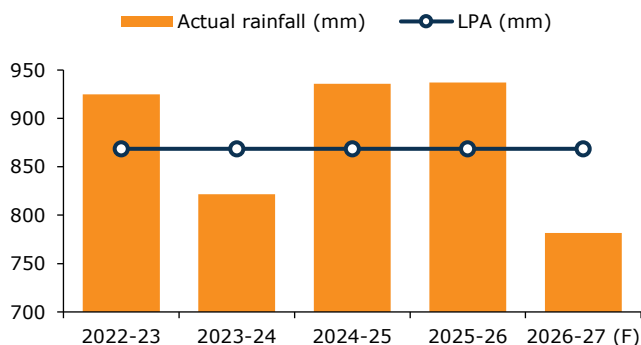
Exhibit 73: USDA estimates lower global cotton production owing to weather uncertainties



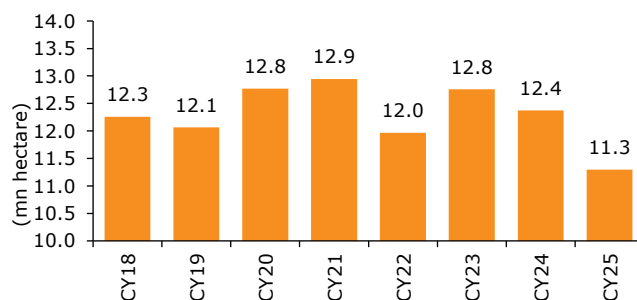
Source: USDA, Emkay Research

We expect India's cotton production in FY27 to be flat YoY, aided by attractive MSPs but offset by decade-low monsoon forecast (90% of LPA) by the IMD and range-bound sowing areas (~12mn ha).

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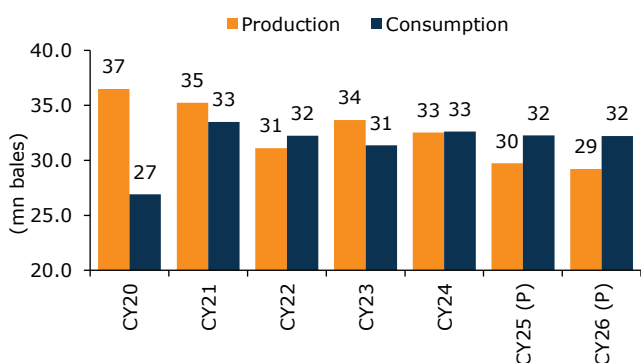
Exhibit 74: IMD predicts decade-low rainfall

Source: IMD, Emkay Research

Exhibit 75: Sowing area has remained at 12-13mn ha since the past few years

Source: Ministry of Textile, Emkay Research

Due to demand-supply mismatch, India became a net importer of cotton in CY25. Given likely flat cotton production and demand, we expect India to be a net importer in CY26 as well.

Exhibit 76: Demand to outpace domestic production in CY26...

Source: Ministry of Textile, Emkay Research

Exhibit 77: ...resulting in continued cotton imports

Source: Ministry of Textile, Emkay Research

Exhibit 78: Cotton – Balance sheet for 2026 season

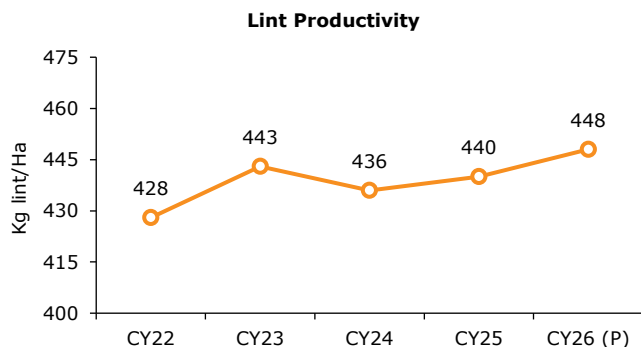
Particulars (mn bales)	CY22	CY23	CY24	CY25 (P)	CY26 (P)
Opening Stock	7.18	3.95	6.12	4.75	4.55
Crop (Production)	31.12	33.66	32.52	29.72	29.22
Imports	2.11	1.46	1.52	4.14	4.00
Total Supply	40.41	39.07	40.16	38.61	37.77
Total Consumption	32.24	31.36	32.58	32.25	32.20
Exports	4.23	1.59	2.84	1.81	1.50
Total Demand	36.47	32.95	35.41	34.06	33.70
Closing Stock	3.95	6.12	4.75	4.55	4.07

Source: Ministry of Textile, Emkay Research; Note: P = projected

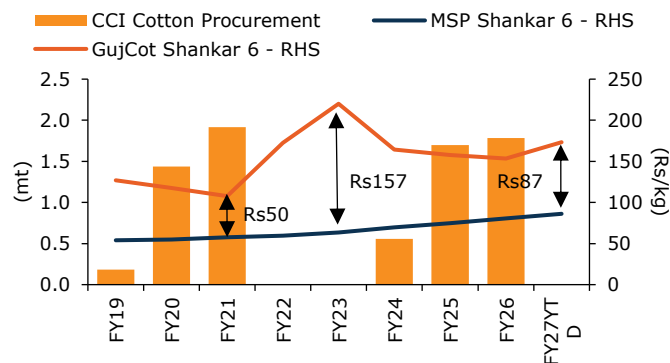
Steps taken to boost cotton production

Recently, the GoI has approved ~Rs56.6bn for Mission for Cotton Productivity (2026–27 to 2030–31) to address bottlenecks, declining growth, and quality concerns in India's cotton sector. The mission focuses on enhancing cotton productivity through the development of High Yielding Variety (HYV) seeds resistant to disease and pests, scaling up of existing and latest crop production technologies, etc. The mission envisages accomplishing the production of 49.8mn bales (170kg lint each) of cotton by enhancing lint productivity from ~450kg/ha to 755kg/ha by 2031 (yield in US is 700-800kg/ha, while yield in Brazil is ~2,000kg/ha).

Further, Cotton Corporation of India has increased the Minimum Support Price (MSP) for the upcoming cotton season by Rs589/quintal. This is the third highest (among 14 Kharif crops) absolute increase, after the hike for nigerseed (Rs820/quintal) and Ragi (Rs596/quintal). Consequently, we expect higher acreage toward cotton cultivation for the upcoming season.

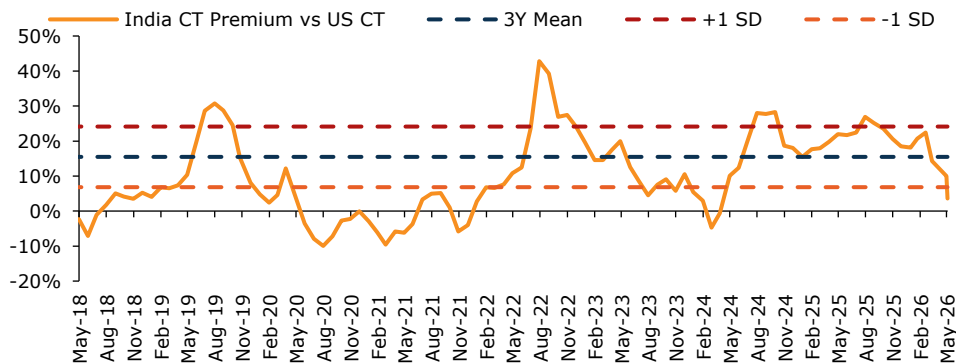
Exhibit 79: Mission to raise productivity to 755kg/ha by 2031

Source: Industry, Emkay Research; Note: P = projected

Exhibit 80: Cotton enjoys third-highest absolute rise in MSP for CY26 season

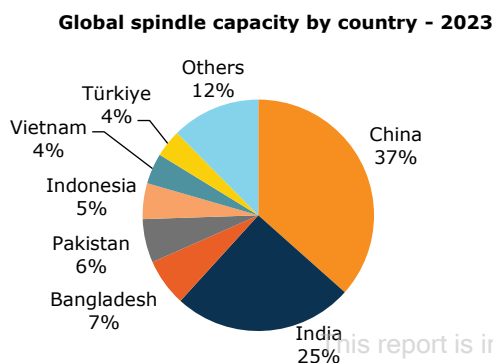
Source: Industry, Emkay Research

As highlighted above, international and domestic cotton prices are up 23% and 15%, respectively, since the onset of the Middle-East crisis. The higher international cotton prices have narrowed the premium gap over domestic cotton to 400-500bps now (including logistics and insurance costs) vs 20pp, 3-4 months ago. Factoring in the recent removal of 11% import duty and expensive freight and insurance costs, the premium should be a mere 4-5pp, on our estimate. Given a stable domestic crop and weak global output, we expect yarn spreads to remain firm or turn more favorable, which augurs well for domestic spinners.

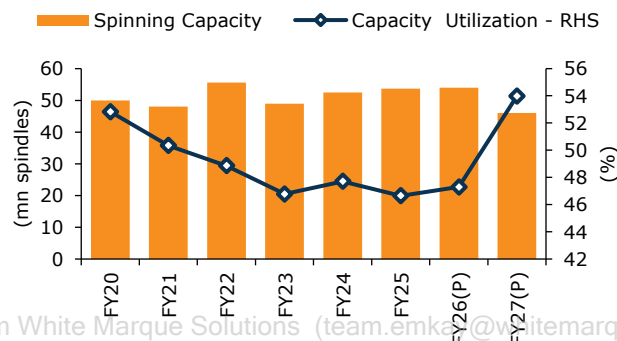
Exhibit 81: Domestic cotton prices broadly in line with US cotton prices; augurs well for spinners

Source: Industry, Bloomberg, Emkay Research

India houses ~25% of the global spindle capacity of >200mn units, making it one of the key global suppliers of yarn. Hence, with 1) a marginal gap between international and domestic cotton prices; 2) cotton demand outpacing supply; and 3) better mill consumption in China and Bangladesh, we expect domestic spindle capacity utilization to improve and result in better yarn prices.

Exhibit 82: India at >50mn spindles captures 25% of global capacity

Source: Industry, Emkay Research

Exhibit 83: With demand outpacing supply, we expect higher utilization for spinners

Source: Industry, Emkay Research

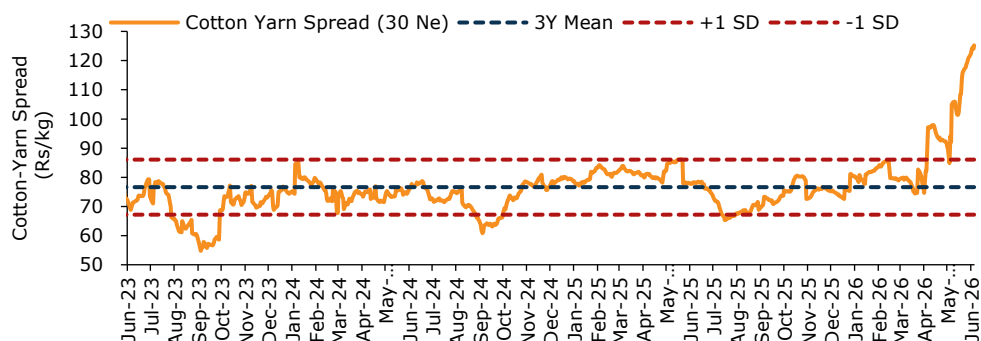
Assuming flat industry yarn production in FY27E at 3.7mn tons and total exports at 1.4mn tons, we observe lower yarn supply for domestic consumption. The removal of 11% import duty should alleviate domestic cotton availability.

Exhibit 84: Incremental China demand to result in lower yarn availability for domestic consumption

Particulars (mn ton)	Steady-state	Likely scenario in FY27E
Cotton yarn production (A)	3.7	3.7
India cotton yarn exports (B)	1.2	1.2
Incremental exports to China (C)	0	0.2
Residual yarn for domestic consumption (D) = (A) - (B+C)	2.5	2.3

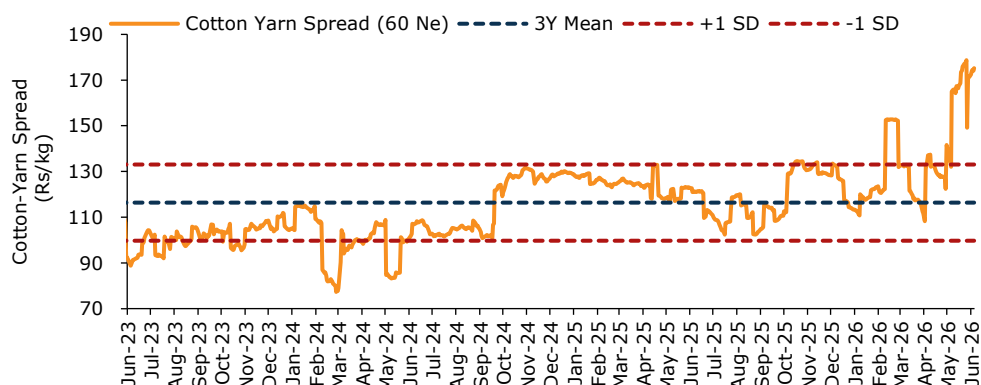
Source: Industry, Emkay Research

Exhibit 85: 30-count yarn spread above +1 SD



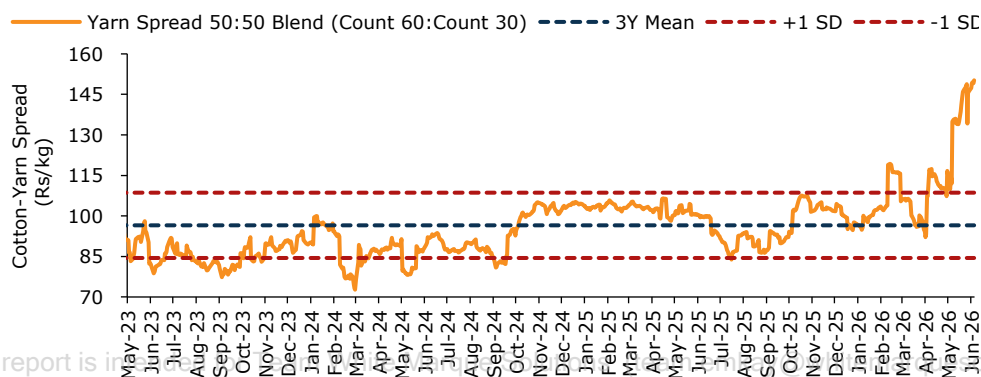
Source: Industry, Emkay Research

Exhibit 86: 60-count yarn spread above +1SD



Source: Industry, Emkay Research

Exhibit 87: Blend of 30- and 60-count yarn spread also above +1SD

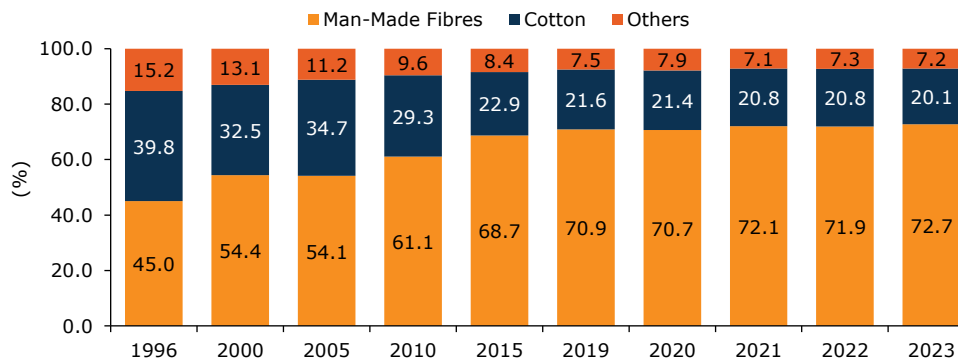


Source: Industry, Emkay Research

Man-made textile – Next big growth lever

India's share slipped in the global trade of textiles and apparel owing to one major factor – negligible/limited presence in man-made textiles. India has historically been strong in cotton-based textiles, but MMF share in global fiber production increased to ~73% in CY23 vs 45% three decades ago, which resulted in sluggish MMF textile and apparel exports from India.

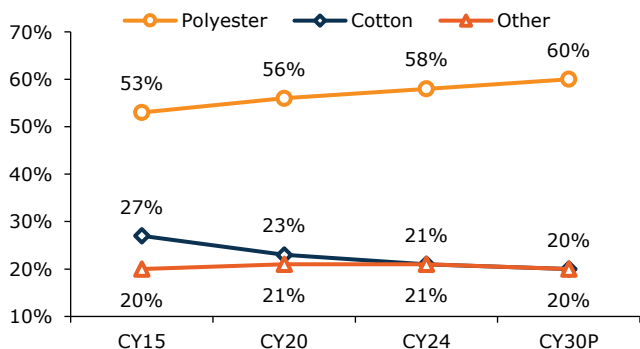
Exhibit 88: MMF captures >70% of global production



Source: Industry, Emkay Research

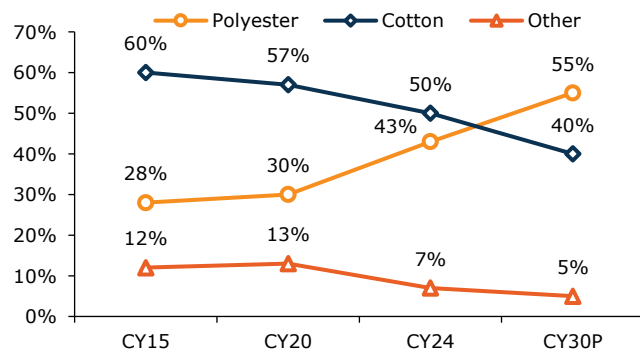
Given the limited scope in improving cotton production (depending on policy implementation, weather suitability, etc), we expect domestic textile players to accelerate MMF usage. Catalysts to boost MMF production lie in PLI schemes, National Technical Textile Mission (NTTM), improving raw-material availability (PTA/MEG), etc.

Exhibit 89: Polyester occupies 60% of global fiber production



Source: Industry, Emkay Research

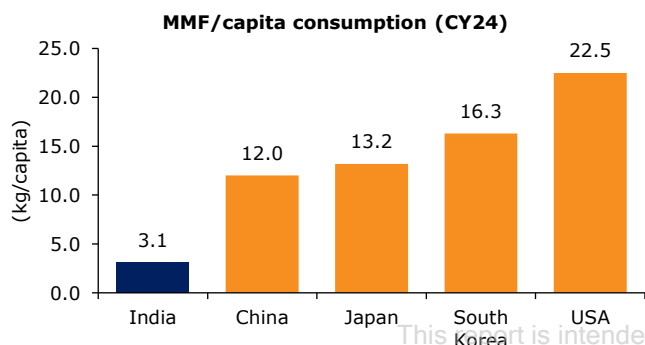
Exhibit 90: Expect MMF consumption to rise in India...



Source: Industry, Emkay Research

Based on the abovementioned schemes and global requirements, we expect polyester (>90% of MMF) fiber production share to surpass 50% in the medium term (vs just ~30% a decade ago).

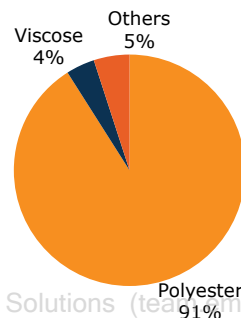
Exhibit 91: ...on the back of low per capita consumption



Source: Industry, Emkay Research

Exhibit 92: Polyester yarn is the mainstay in the MMF space

Polyester yarn industry in India (CY23)



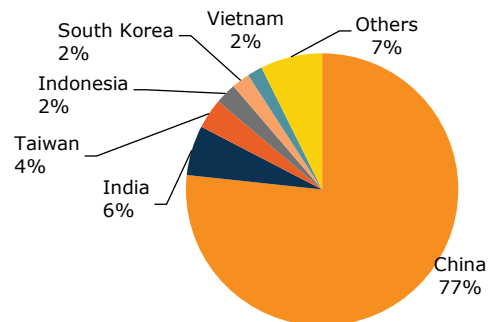
Source: Industry, Emkay Research

Global polyester filament yarn (PFY) capacity stands at ~55mtpa as of CY23, with ~3/4th of capacity housed in China. China is a powerhouse in polyester yarn production, supported by adequate raw-material availability and skilled labor force. Based on our discussions with equipment suppliers, there has been a declining trend of interest in investing in new capacities as focus shifts toward improving margins. This augurs well for domestic yarn spinners, as it improves utilization rates and, consequently, spreads.

We expect domestic polyester yarn demand CAGR of 7-8% over FY26-28, basis:

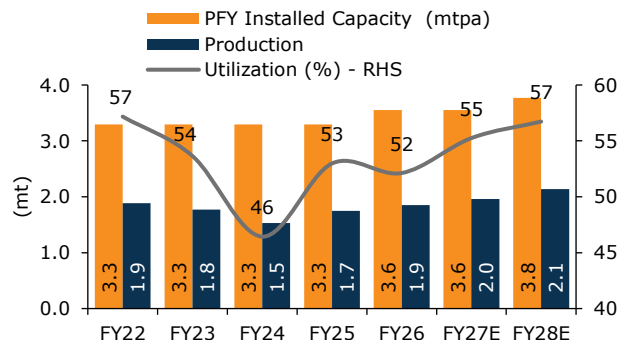
- Rising urban population
- Increase in online retailing
- Higher usage in Technical Textiles

Exhibit 93: China houses 3/4th of global PFY capacity



Source: Industry, Emkay Research

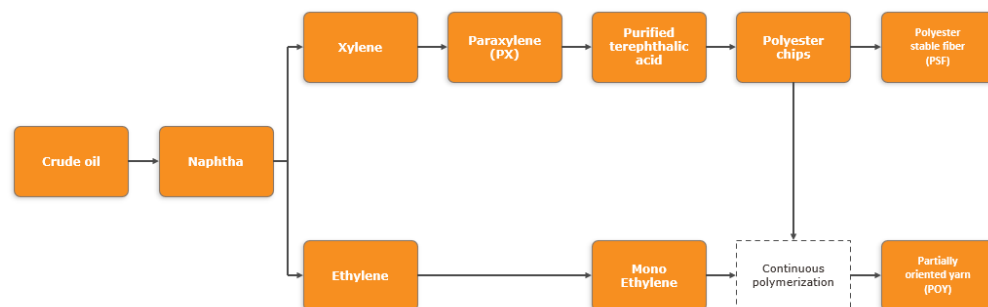
Exhibit 94: Expect better yarn utilization, led by China's focus on margins vs volumes



Source: Industry, Emkay Research

Paraxylene (PX), Purified Terephthalic Acid (PTA), and Mono Ethylene Glycol (MEG) are the major raw materials used for manufacturing Polyester Filament Yarn (PFY). PX is the primary raw material for both PTA and MEG, while Naphtha, derived from crude oil, is a crucial feedstock for producing PX. Hence, crude oil prices directly dictate costs of raw materials, PTA, and MEG.

Exhibit 95: PTA/MEG value chain



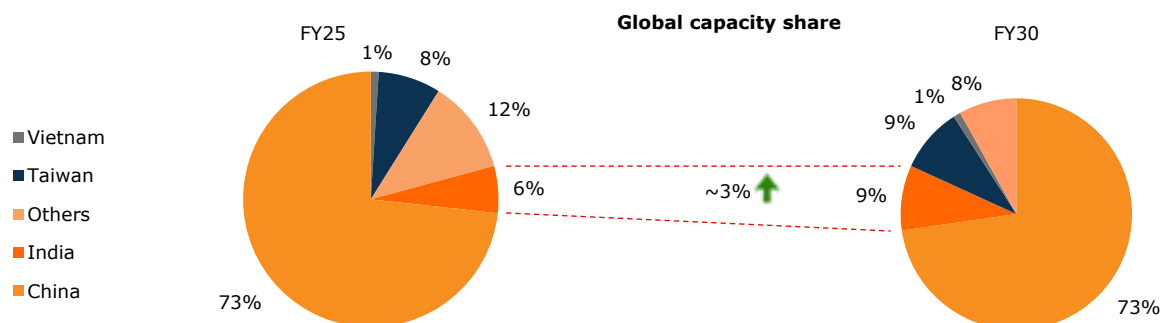
Source: Industry, Emkay Research

China has the largest base of PTA capacities in the world, comprising ~75% of global PTA capacities (125mtpa) as of CY24, while India has a modest 6%. However, commissioning of ~1.3mtpa each at IOCL Paradip (Odisha) and GMPL (Mangalore) and 3mtpa at RIL (Dahej) shall boost global capacity share to ~9% (~12mtpa) by FY30. Per industry data, global PTA capacity shall increase from 125mtpa to 140mtpa over FY25-35, at CAGR of 1.1%.

Exhibit 96: Upcoming PTA capacities

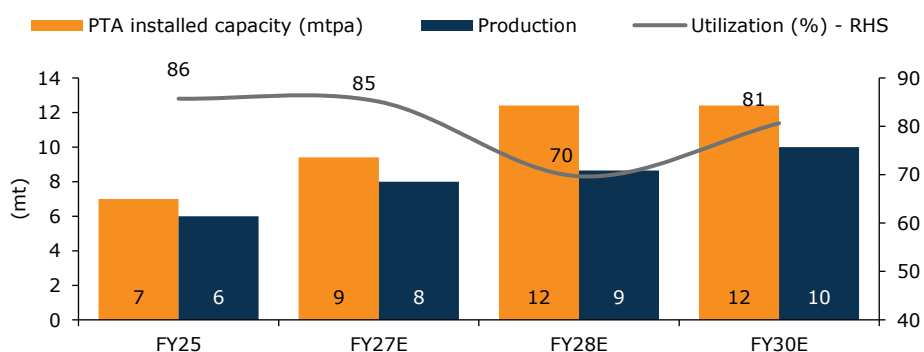
Company	Capacity (mtpa)	Timeline
GAIL, Mangalore (Karnataka)	1.3	FY27E
IOCL, Paradip (Odisha)	1.3	FY27E
Reliance Industries, Dahej (Gujarat)	3.0	FY28E

Source: Company, Emkay Research

Exhibit 97: Upcoming capacities to boost global capacity share to 9% by FY30

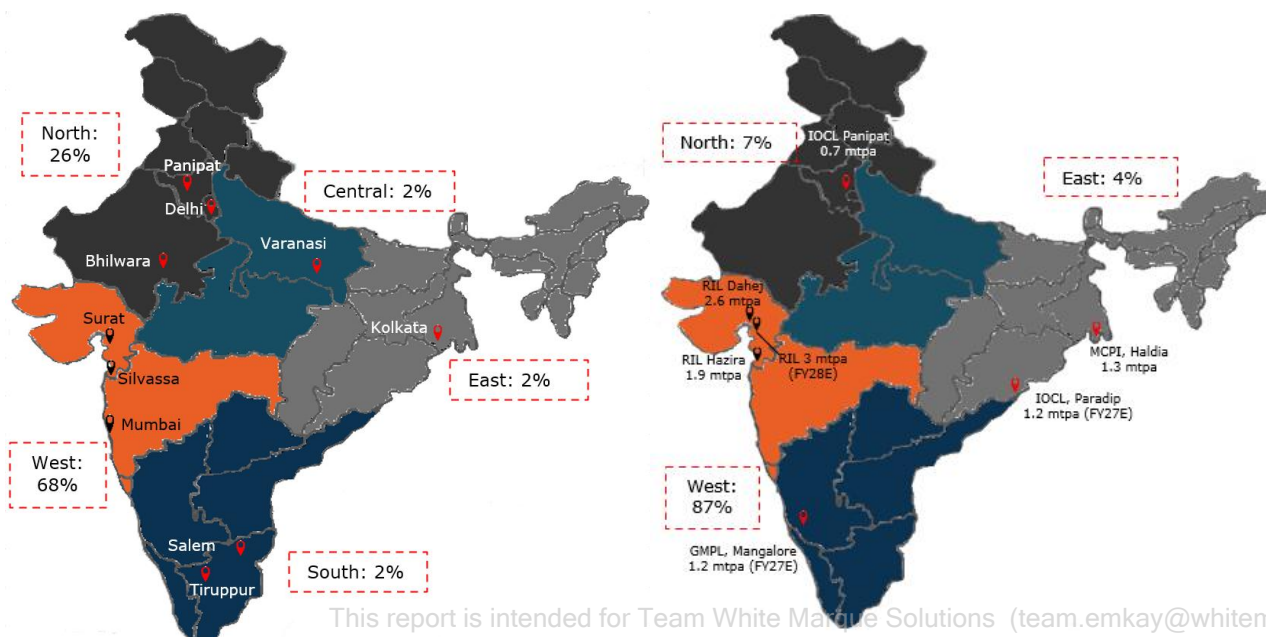
Source: Industry, Emkay Research

With the commissioning of the abovementioned PTA capacities, we expect PTA capacity utilization to soften from a high of 86% in FY25 to 70% in FY28, before rising again to ~80% in FY30. Hence, we expect domestic PTA prices to remain under control for at least the next two fiscal years.

Exhibit 98: Utilizations to decline to 70% in FY28E, paving way for benign PTA prices

Source: Industry, Emkay Research

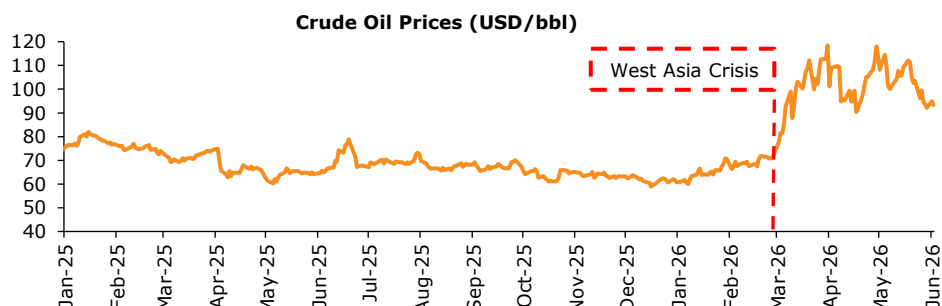
West India generates 70-75% of overall demand (~2mt) in the country, owing to proximity of consumption (Surat, Gujarat; Bhiwandi, Maharashtra) and raw material centres (Dahej, Hazira in Gujarat).

Exhibit 99: Availability of PTA/MEG is well-aligned with polyester consumer centres (LHS) in India

Source: Industry, Emkay Research,

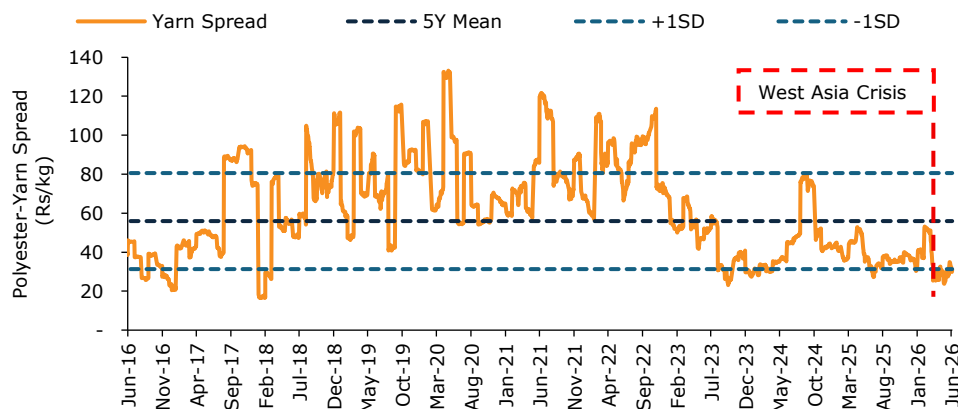
Owing to the sharp rise in crude oil prices following the US-Iran war, PTA prices have inflated by 32% (since the crisis) to ~Rs90/kg. Simultaneously, polyester yarn prices rose ~12% to ~Rs130/kg in the past three months. However, the steep rise in input costs have caused spreads to shrink by ~40% to a mere Rs30/kg, implying below -1SD (10Y average). Going forward, with a probable agreement toward opening of the Strait of Hormuz, we see softening in PTA prices and, hence, better polyester spreads. In conclusion, we see current spreads at their bottom, with likely improvement ahead.

Exhibit 100: Brent crude



Source: Bloomberg, Emkay Research

Exhibit 101: Sharp rise in PTA prices has resulted in polyester spreads below -1SD



Source: Industry, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

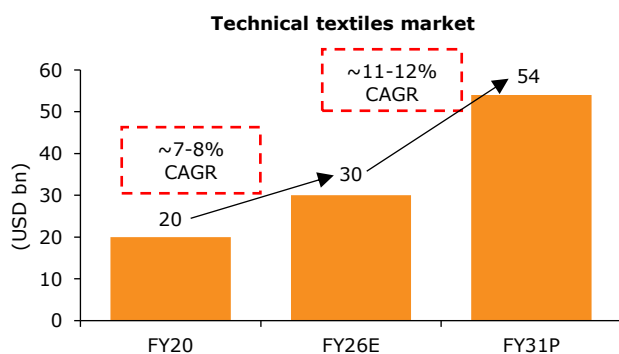
Technical Textiles – The sunrise segment

Technical Textiles (TT) are textile materials and products manufactured primarily for their functional and technical performance rather than aesthetic characteristics. TT is used in packaging materials, healthcare, defense uniforms/equipment, auto interiors, industrial ropes/nets, etc, and enjoys superior operating margins (15-30%).

While TT's domestic market size expanded at 7-8% CAGR over FY20-26E, we expect this to shoot up to early double-digits over the next five years on the back of 1) multiple FTAs; 2) material tariff differential vs China; 3) ecosystem boost led by PLIs and PM MITRA parks; and 4) GST cuts on MMF and yarns to 5% (from 12%).

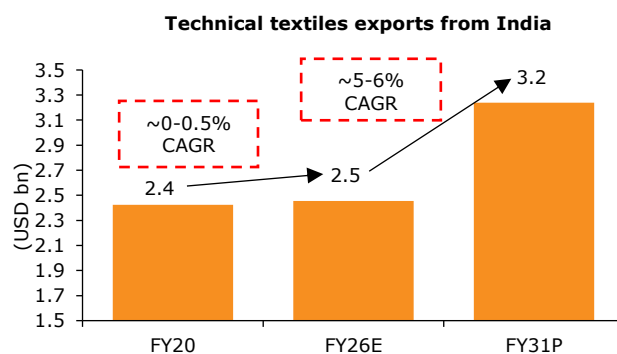
Major technical textile players in India are Arvind, Garware Technical Fibres, Kusumgar, etc.

Exhibit 102: TT has seen brisk growth in domestic markets



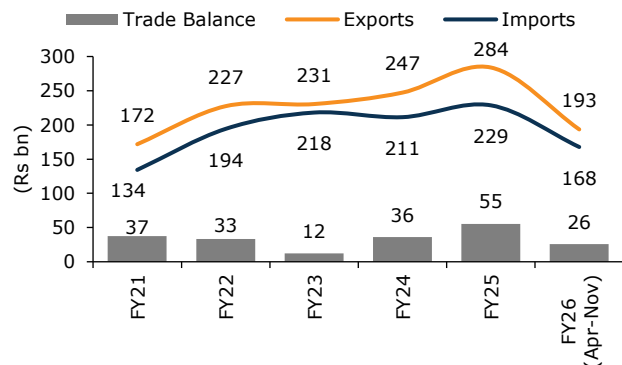
Source: Industry, Emkay Research

Exhibit 103: Expect growth to gather pace, backed by various catalysts



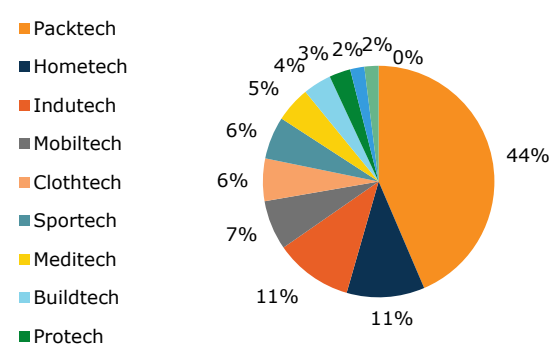
Source: Industry, Emkay Research

Exhibit 104: Trade balance improved over FY22-25



Source: Industry, Emkay Research

Exhibit 105: Packtech occupies lion's share in TT segment



Source: Industry, Emkay Research

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Exhibit 106: Technical Textiles categories based on functional requirements and end-use applications


Source: Ministry of Textiles, Emkay Research

Exhibit 107: Usage of fibers in each segment of TT

Fibers/Filaments and Polymers	Key Segments
Viscose	Clothtech, Homotech, Mobiltech
Polyester	Buildtech, Geotech, Clothtech, Packtech, Meditech, Agrotech, Sportech, Homotech, Indutech
Nylon	Buildtech, Clothtech, Packtech, Mobiltech, Meditech, Agrotech, Sportech, Indutech
Acrylic/Mod-acrylic	Buildtech, Protech, Meditech, Homotech
Polypropylene	Buildtech, Geotech, Clothtech, Packtech, Mobiltech, Meditech, Agrotech, Sportech, Homotech, Indutech
HDPE	Buildtech, Oekotech, Packtech, Sportech, Indutech
LDPE/LLDPE (low-density/linear low-density polyethylene)	Packtech, Agrotech, Sportech

Source: Ministry of Textiles, Emkay Research

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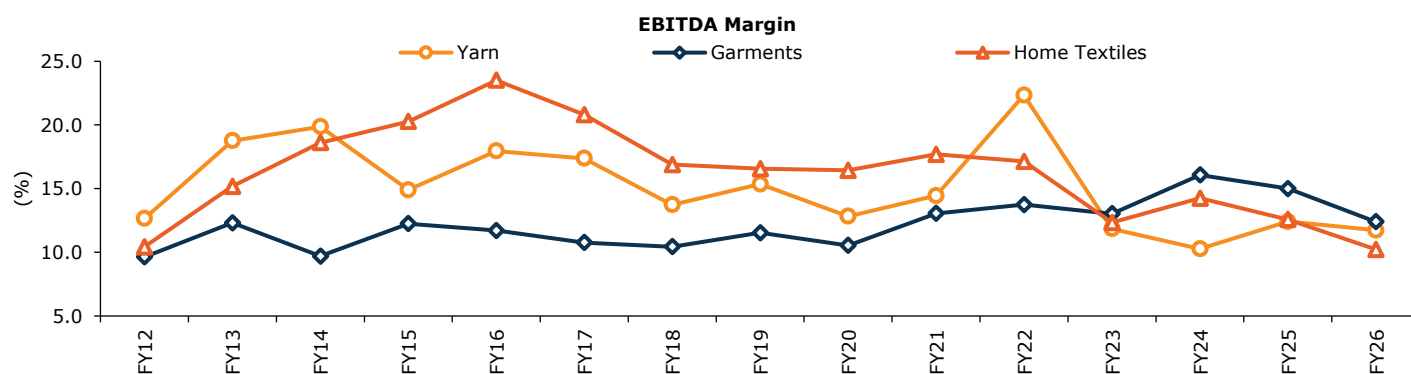
Textile universe

Exhibit 108: Classification of companies based on textile value chain



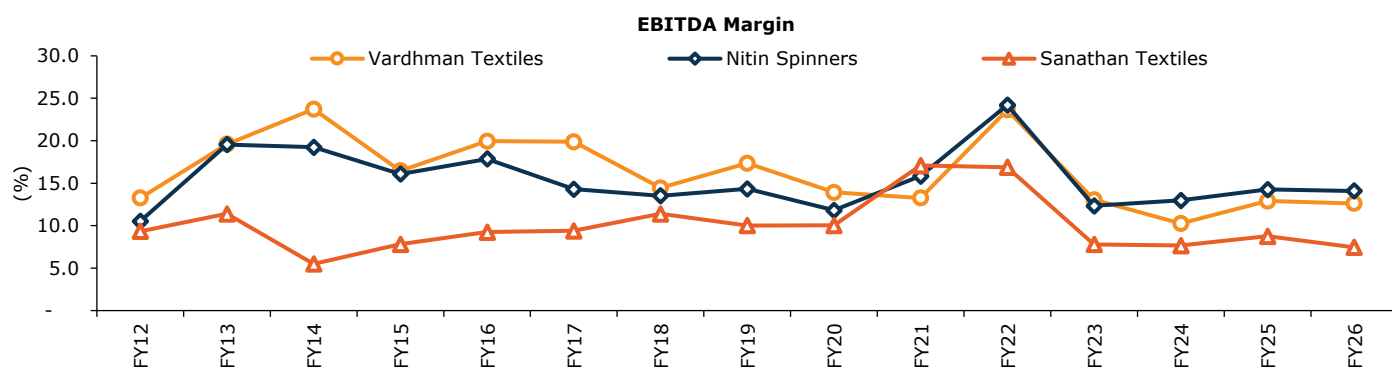
Source: Industry, Emkay Research

Exhibit 109: Home Textiles companies saw maximum decline in EBITDA margins due to imposition of US tariffs

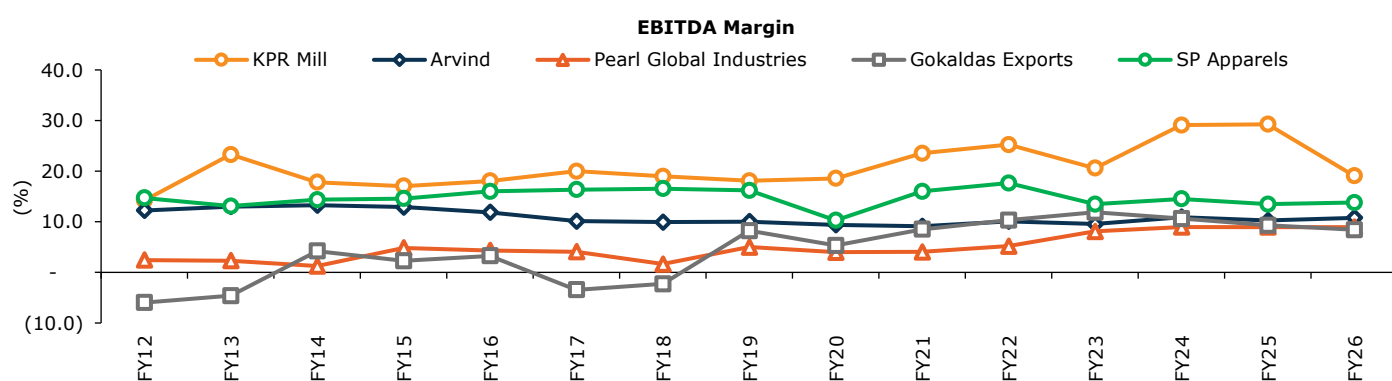


Source: Company, Emkay Research; Note: Yarn companies include Vardhman Textiles, Nitin Spinners, and Sanathan Textiles; Garments companies include KPR Mills, Arvind, Pearl Global Industries, Gokaldas Exports, and SP Apparels; Home Textiles companies include Welspun Living, Trident, and Indo Count Industries

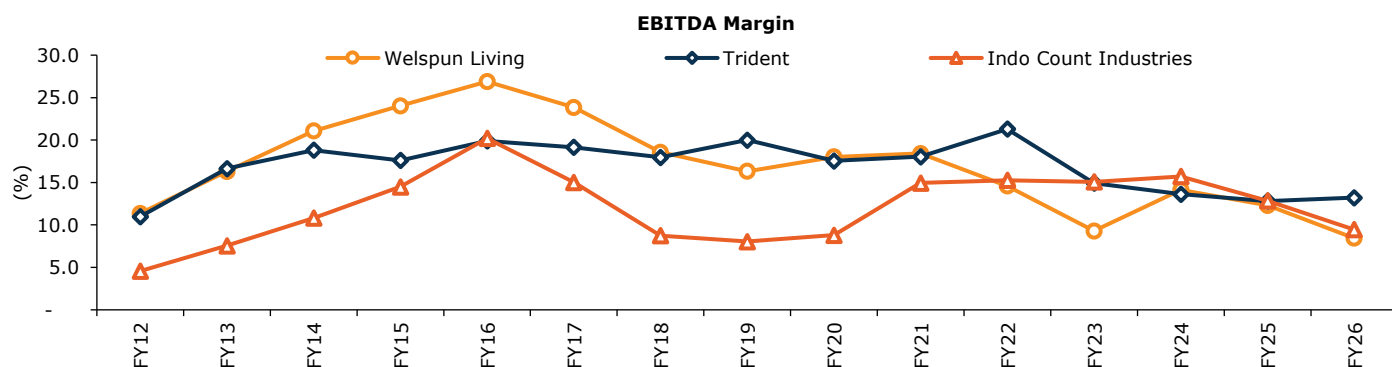
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Exhibit 110: Operating margin profile of domestic spinners

Source: Company, Emkay Research

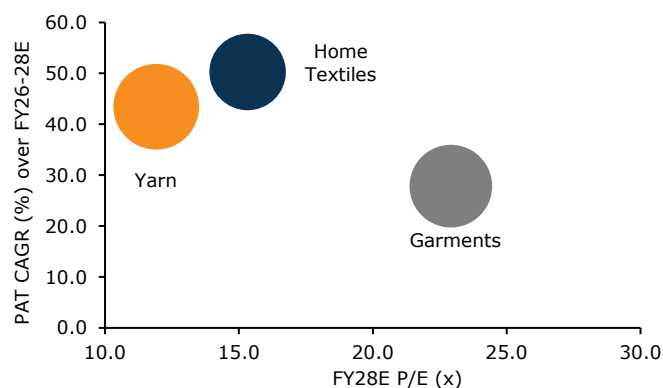
Exhibit 111: Operating margin profile of domestic garmenters

Source: Company, Emkay Research

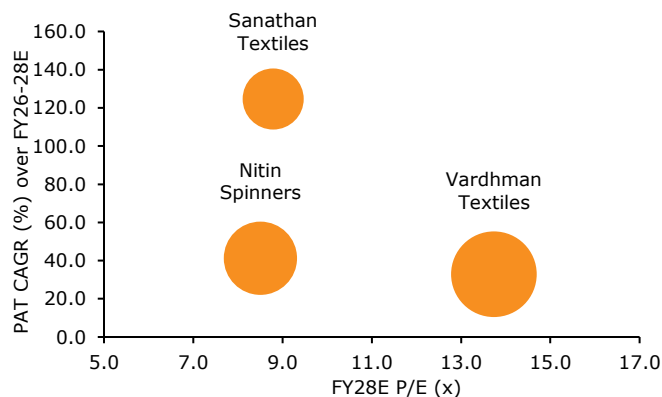
Exhibit 112: Operating margin profile of Home Textiles companies

Source: Company, Emkay Research

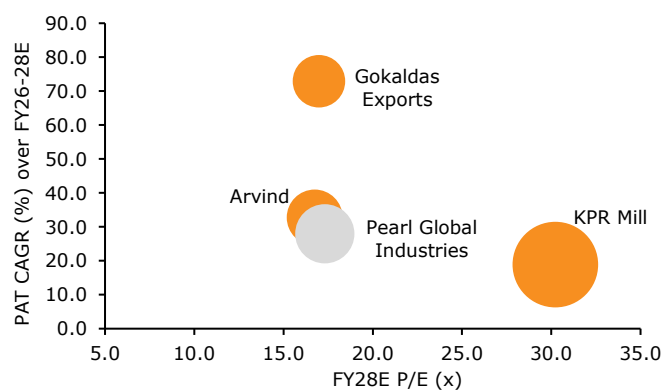
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Exhibit 113: Yarn players enjoy better margin profiles than Home Textiles companies

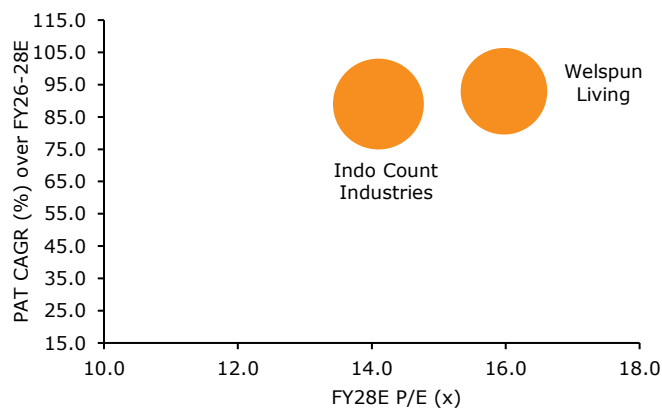
Source: Company, Bloomberg, Emkay Research; Note: Yarn companies include Vardhman Textiles, Nitin Spinners, and Sanathan Textiles; Garments companies include KPR Mills, Arvind, Pearl Global Industries, Gokaldas Exports, and SP Apparels; Home Textiles companies include Welspun Living, Trident, and Indo Count Industries; Bubble area is proportional to FY28E PAT margin

Exhibit 114: Sanathan Textiles ramping up of Punjab plant should drive growth

Source: Company, Bloomberg, Emkay Research; Note: Bubble area is proportional to FY28E PAT margin

Exhibit 115: AMD segment to drive growth for Arvind; KPR, being an integrated player, attracts higher valuation

Source: Company, Bloomberg, Emkay Research; Note: Bubble area is proportional to FY28E PAT margin

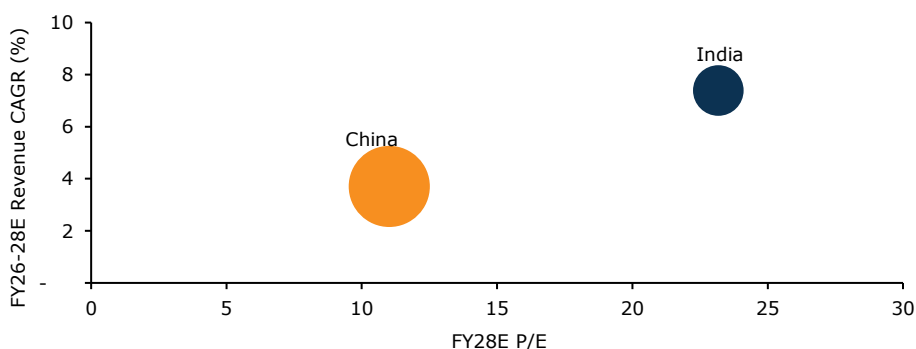
Exhibit 116: Relative valuation of Home Textiles companies

Source: Company, Bloomberg, Emkay Research; Note: Bubble area is proportional to FY28E PAT margin

Exhibit 117: Relative valuation of global garmenting companies

Company	Market Cap (USD mn)	CAGR FY26-28E (%)		PATM (%)		P/E (x)		RoE (%)	
		Revenue	PAT	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
India									
Pearl Global Industries	810	14.2	28.0	6.2	6.8	21.7	17.3	22.5	23.5
KPR Mill	3,898	13.3	18.9	13.8	14.2	34.8	30.2	17.3	17.6
Arvind Ltd	1,363	15.9	30.9	5.3	5.9	21.7	17.5	13.9	15.3
Gokaldas Exports	535	18.7	72.9	4.4	5.4	24.2	17.0	9.0	11.4
China									
Shenzhou International	8,391	6.6	9.0	19.2	19.4	9.9	9.2	15.7	15.8
Crystal International	2,236	8.8	11.9	9.0	9.2	62.4	56.1	15.1	15.5
Bosideng International	6,354	8.6	9.9	14.0	14.1	11.9	10.8	21.8	22.1
Taiwan									
Makalot Industrial	1,786	8.1	11.9	11.4	11.9	13.0	11.3	30.3	34.6
Eclat Textile	3,097	9.0	10.7	17.0	17.5	13.1	11.6	23.1	25.4
Bangladesh									
Beximco Ltd	824	NA	NA	NA	NA	NA	NA	NA	NA
Paramount Textile	85	NA	NA	NA	NA	NA	NA	NA	NA
Square Textiles	76	NA	NA	NA	NA	NA	NA	NA	NA
US									
Gildan Activewear	10,716	5.2	17.7	15.2	16.3	11.0	9.7	23.1	24.8

Source: Company, Bloomberg, Emkay Research

Exhibit 118: Country-wise garment manufacturers' classification by growth and valuation

Source: Company, Bloomberg, Emkay Research; Note: Chinese companies include Shenzhou International, Crystal International, and Bosideng International; Indian companies include Pearl Global Industries, KPR Mill, Arvind, and Gokaldas Exports; bubble area is proportional to current market capitalization

Exhibit 119: Relative valuation of domestic textile companies

Basis	Company	Rating	TP (Rs)	CMP (Rs)	Mcap (Rs bn)	CAGR FY26-28E (%)			RoE (%)			P/E (x)		
						Revenue	EBITDA	EPS	FY26	FY27E	FY28E	FY26	FY27E	FY28E
	Yarn													
C	Vardhman Textiles	NR	NA	631	183	10.8	26.7	32.9	7.4	10.9	10.8	24.3	15.1	13.7
SA	Nitin Spinners	BUY	750	536	30	17.1	31.7	41.2	12.8	17.5	18.6	17.0	10.8	8.5
C	Sanathan Textiles	BUY	550	395	33	35.5	63.4	114.6	4.2	6.8	16.3	43.1	25.4	9.4
	Garments													
C	KPR Mill	NR	NA	1,083	370	13.3	18.8	18.9	16.2	17.3	17.6	42.7	34.8	30.2
C	Arvind	BUY	700	494	129	15.9	25.9	30.9	11.0	13.9	15.3	30.0	21.7	17.5
C	Pearl Global Industries	NR	NA	1,665	77	14.2	27.9	28.0	20.5	22.5	23.5	28.3	21.7	17.3
C	Gokaldas Exports	NR	NA	694	51	18.7	35.6	72.9	5.0	9.0	11.4	50.8	24.2	17.0
C	SP Apparels	NR	NA	815	20	11.7	12.9	25.9	12.8	13.2	13.7	20.3	15.0	12.8
	Home Textiles													
C	Welspun Living	NR	NA	144	138	16.1	49.6	93.0	3.6	11.8	15.0	59.5	23.1	16.0
C	Trident	NR	NA	24	124	8.4	17.8	17.3	6.7	8.9	9.6	33.1	28.3	24.0
C	Indo Count Industries	NR	NA	325	64	21.0	39.5	89.0	6.9	11.4	15.7	50.4	22.1	14.1
	Technical Textiles													
C	Garware Technical Fibres	NR	NA	672	67	10.6	15.9	15.9	15.7	15.7	15.9	30.4	27.6	22.6

Source: Company, Bloomberg, Emkay Research

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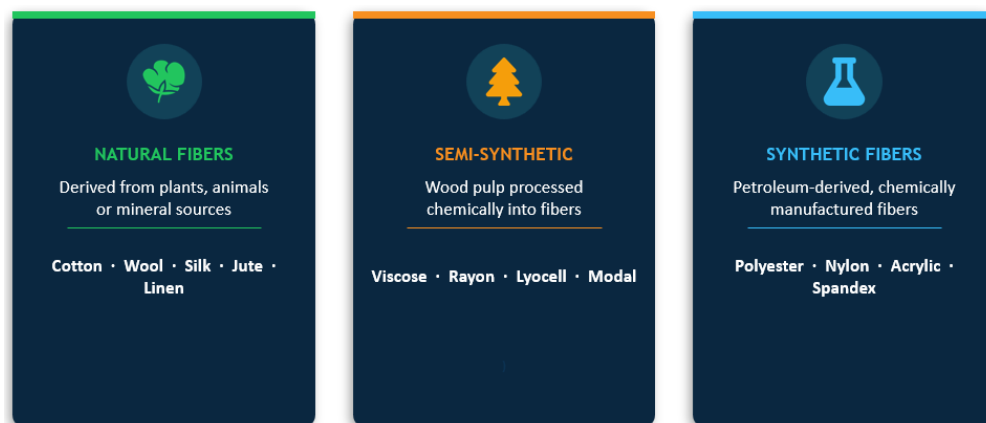
Key risks

- **FTA delays:** Our bull case on the EU and UK rests on the ~12% duty potentially decreasing to nil, which would put India at par with Bangladesh and Vietnam. In the event of slippage in EU-27 (expected H2CY27) or UK timelines, or carve-outs on cotton garment lines, the modelled market-share capture could be deferred.
- **Adverse trade-policy reversal:** Our US thesis assumes that the Section 122 expiry (~mid-Jul-26) restores tariff parity and preserves a 7-8% gap vs China. Any reimposition of penal/reciprocal tariffs, fresh Section 301 action, or narrowing of the China differential could re-trigger the 3-4pp margin burden-sharing seen in FY26. The trajectory remains contingent on US trade policy holding course.
- **Execution risk on MMF ecosystem and input costs:** The structural MMF thesis is contingent on PLI uptake, PM MITRA parks, and the ~2.5mtpa PTA capacity addition in 2HCY26 landing broadly on schedule. In the event of delays in capacity ramp-up, weaker-than-expected PLI claims against steep turnover thresholds, elevated energy/logistics costs from the West Asia crisis, or persistently higher cost of debt, India could remain structurally back-footed in MMF vs China and Vietnam.

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Annexures

Exhibit 120: Fiber classification



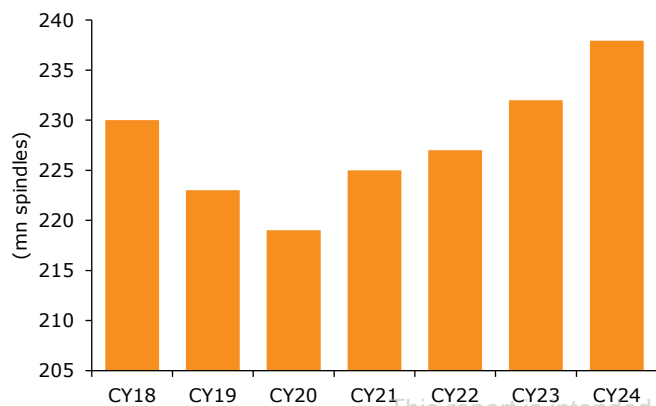
Source: Industry, Emkay Research

Exhibit 121: Textile value chain



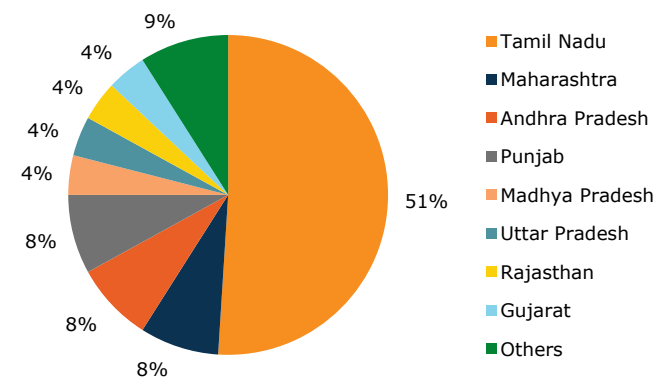
Source: Industry, Emkay Research

Exhibit 122: Global installed short staple spindle capacity



Source: Industry, Emkay Research

Exhibit 123: FY24 Domestic state-wise spindle capacity mix



Source: Industry, Emkay Research

We initiate coverage on Arvind with BUY and a TP of Rs700 (implying ~42% upside). We believe Arvind's integrated operations provide resilience during volatile situations, positioning the company to gain market share. Focused capex and recent FTAs with the EU/UK are expected to propel garmenting margins higher, which currently lag those of the fabric business and Advance Material Division (AMD). With garment profitability ramping up, AMD is well positioned to drive earnings growth, supported by its portfolio of high-growth, high-margin products and the recent acquisition of US-based Dalco-GFT (~USD136mn EV). Meanwhile, a healthy balance sheet, coupled with the potential monetization of non-core assets (land parcels and its stake in Shiprocket), strengthens Arvind's ability to withstand external disruptions. We bake in ~16%/26%/31% revenue/EBITDA/APAT CAGR over FY26-28E and value Arvind on a SoTP basis, ascribing EV/EBITDA multiples of 11x/20x to textiles/AMD. Key risks: raw material volatility, geopolitical disruptions, and delays in the ramp-up of AMD and garmenting operations.

From fiber to garment: Integrated advantage: Arvind's integrated operations provide (1) a margin cushion during periods of volatility (such as geopolitical tensions, tariffs, pandemics) and (2) improved client retention, as it allows clients to monitor quality and customize the final output. Arvind aims to increase captive fabric consumption to 25% from ~14% currently, which we believe will provide the company with an edge over peers.

Tailwinds for the garmenting segment: Assuming early double-digit EBITDA margin for the fabric segment, we imply mid-single-digit margin for the garmenting segment (~20% of revenue contribution). We believe garmenting margins could expand through (1) higher captive fabric consumption, (2) capex to enhance garmenting capacities, and (3) recent FTAs with the EU/UK. We expect overall textile revenue CAGR at ~8% (FY26-28E), supported by ~15% growth in the garmenting segment.

AMD – A play on the technical textiles segment: Arvind's AMD is a play on technical textiles segment, and the industry is expected to clock 11-12% CAGR over the medium term. High entry barriers and sticky client relationships ensure superior margins alongside healthy growth. AMD's positioning is further strengthened by the margin-accretive acquisition of Dalco-GFT (EBITDAM of ~17% vs AMD's ~15%). Factoring this in, we bake in ~41%/49% revenue/EBITDA CAGR for AMD over FY26-28E.

Healthy balance sheet – Building a platform for the next leap: Arvind has significantly deleveraged in recent years (net debt/EBITDA: 3.3x in FY20 to 1.3x in FY26), enhancing its resilience to external shocks and enabling inorganic growth. Non-core asset monetization and disciplined capex (Rs4.5-5bnpa) provide a financial cushion and improve earnings visibility, supporting its 20% mid-term RoCE target.

Target Price – 12M	Mar-28
Change in TP (%)	NA
Current Reco.	BUY
Previous Reco.	NA
Upside/(Downside) (%)	41.7

Stock Data	ARVND IN
52-week High (Rs)	515
52-week Low (Rs)	275
Shares outstanding (mn)	262.1
Market-cap (Rs bn)	129
Market-cap (USD mn)	1,363
Net-debt, FY27E (Rs mn)	24,099.7
ADTV-3M (mn shares)	0.8
ADTV-3M (Rs mn)	377.8
ADTV-3M (USD mn)	4.0
Free float (%)	60.4
Nifty-50	23,366.7
INR/USD	94.9

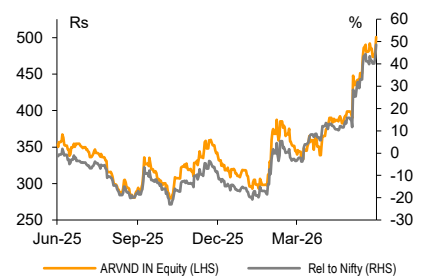
Shareholding, Mar-26

Promoters (%)	39.5
FPIs/MFs (%)	16.1/20.0

Price Performance

(%)	1M	3M	12M
Absolute	25.3	42.7	40.9
Rel. to Nifty	28.8	51.3	49.3

1-Year share price trend (Rs)



Arvind: Financial Snapshot (Consolidated)

Y/E Mar (mn)	FY24	FY25	FY26	FY27E	FY28E
Revenue	77,378	83,288	93,032	113,038	124,966
EBITDA	8,452	8,534	10,044	13,450	15,924
Adj. PAT	3,342	3,535	4,312	5,967	7,387
Adj. EPS (Rs)	12.8	13.5	16.5	22.8	28.2
EBITDA margin (%)	10.9	10.2	10.8	11.9	12.7
EBITDA growth (%)	5.7	1.0	17.7	33.9	18.4
Adj. EPS growth (%)	(4.4)	5.7	21.8	38.4	23.8
RoE (%)	9.7	9.6	11.0	13.9	15.3
RoIC (%)	9.8	9.8	10.7	13.5	14.7
P/E (x)	38.4	36.6	31.3	21.7	17.5
EV/EBITDA (x)	16.9	16.8	14.1	11.4	9.3
P/B (x)	3.6	3.4	3.2	2.9	2.5
FCFF yield (%)	3.1	1.9	2.7	-	6.5

Source: Company, Emkay Research

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Story in charts

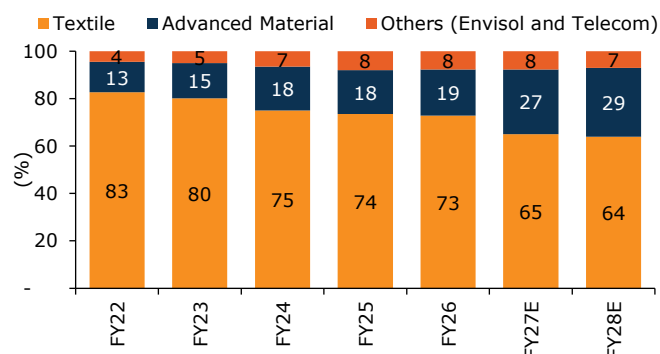
Exhibit 124: Birds eye view

Particulars	Textiles	Advanced Materials	Other Business
Products			
Product Offerings	Jeans, Shirts, Knits, Innerwear/Activewears, Voiles	Specialty apparel, structural composites for mass transit, and engineered industrial filters	Zero Liquid Discharge (ZLD) plants, radio trunking services, and over-the-counter retail fabrics
Sub-Segments	- Woven Fabrics - Denims - Garments - Others (Voile fabrics)	- Human Protection (Fire retardant/defense) - Industrial (Filtration/belting; includes Dalco) - Composites (transport/sports)	- Water Solutions (Envisol) - Telecom Solutions (Arya Omnitalk) - Arvind Retail (B2C)
Asset Turnover	1.0x – 1.5x for Fabric; 2.5x – 3.0x for Garments	3.0x or higher	Project-based (Water) or fixed-asset liquidation (Land) means turns fluctuate by quarter
Working Capital Intensity	Fabric requires ~90-105 days; Garmenting is shorter at ~60-75 days	B2B business with ~2-3 months order book visibility; focus on repeat key accounts	Real estate generates cash advances; Envisol is project-milestone based
Capex Focus	Automation & Debottlenecking, expanding garmenting capacity to 60mn pieces	Capacity expansion	Asset-Light
EBITDA Margins	Textiles: ~10–12% - Woven and Denim: early to mid-teens - Garmenting is currently mid-single digit, management is targeting low double-digits	- AMD (India operations): ~14-15.5% - Dalco: ~17%	Variable by project; Envisol focused on steady, profitable service/components
RoCE Profile	12-17%; aiming for 20% through backward integration	> 25%	Project-specific for water solutions; Higher IRR for B2C
Revenue in FY26	Textiles: Rs69bn - Woven: 28.3bn - Denims: Rs14.6bn - Garments: Rs20.2bn - Others (adj): Rs5.9	AMD: 18.4bn - Human Protection: 9.9bn - Industrials: Rs3.9bn - Composites: Rs4.6bn	Rs5.7bn
Revenue Mix FY26	72.9%	19.4%	7.6%
Revenue in FY28E	Textiles: Rs79.8bn - Woven: 30.8bn - Denims: Rs15.9bn - Garments: Rs26.7bn - Others (adj): Rs6.4	AMD: Rs36.4bn - Human Protection: 13.3bn - Industrials: Rs5.5bn - Dalco: Rs10.7bn - Composites: Rs6.9	Rs8.8bn
Revenue Mix FY28E	63.9%	29.1%	7.0%
Financial Performance			
Matrices	Revenue	EBITDA (incl Other Income)	APAT
FY19-26 CAGR	3.8%	4.9%	6.8%
FY26-28E CAGR	15.9%	25.9%	30.9%
Matrices	EBITDA Margin	RoE	RoCE
FY26	10.8%	11.0%	12.7%
FY27E	11.9%	13.9%	15.5%
FY28E	12.7%	15.3%	16.5%

Source: Company, Emkay Research

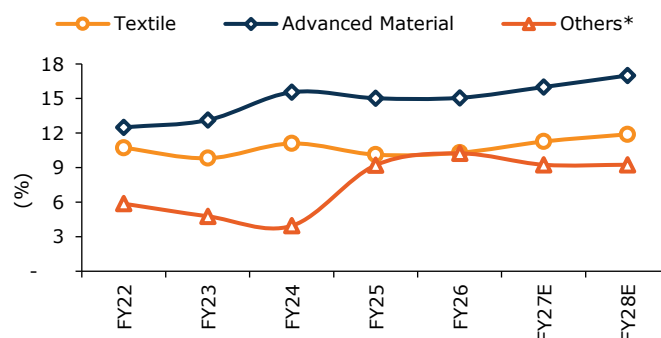
This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

Exhibit 125: Revenue mix



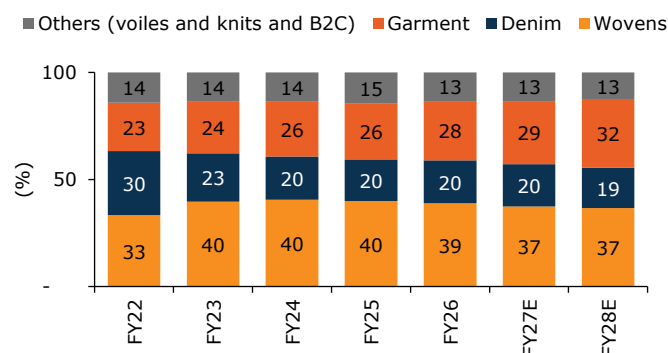
Source: Company, Emkay Research

Exhibit 126: Segmental EBITDA profile



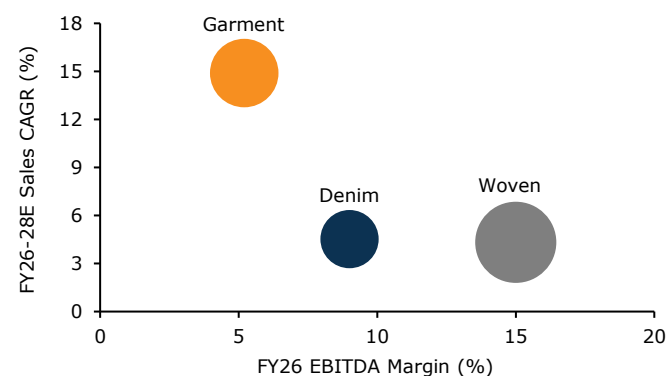
Source: Company, Emkay Research; Note: *Includes Envisol (water treatment) and telecom business; EBITDA includes other income

Exhibit 127: Textiles revenue mix



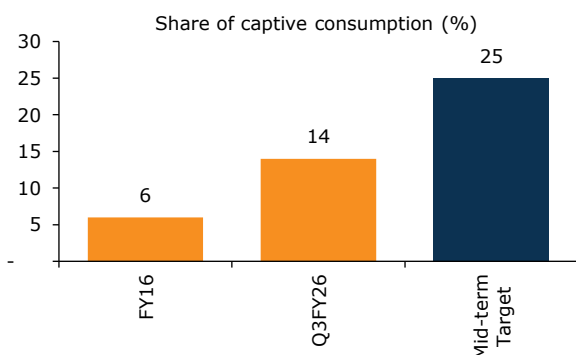
Source: Company, Emkay Research

Exhibit 128: Textiles division, vertical-wise performance metrics



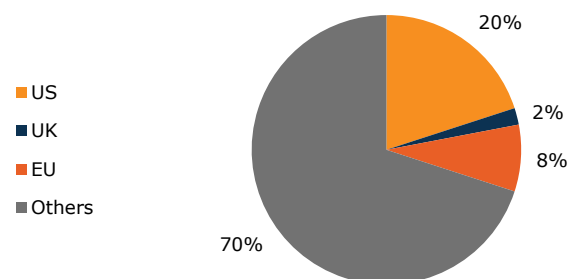
Source: Company, Emkay Research

Exhibit 129: Captive consumption trend



Source: Company, Emkay Research

Exhibit 130: Textiles export mix

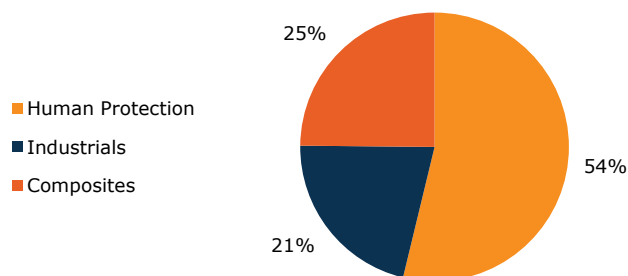


Source: Company, Emkay Research

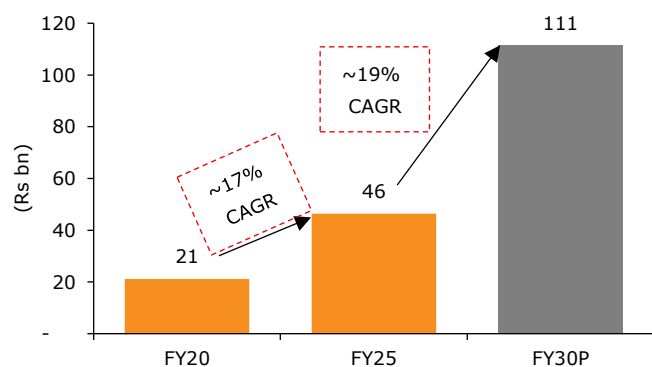
Exhibit 131: Key metrics of the AMD business

Feature	Details
Core verticals	Human protection, industrials, and composites
Technical advantages	High entry barriers are driven by long qualification cycles (2-8 years) and deep technical know-how, resulting in exceptionally sticky B2B relationships
EBITDA margin	~14%-15.5%
Asset turnover	~3.0x or higher
ROCE profile	~25%-30%

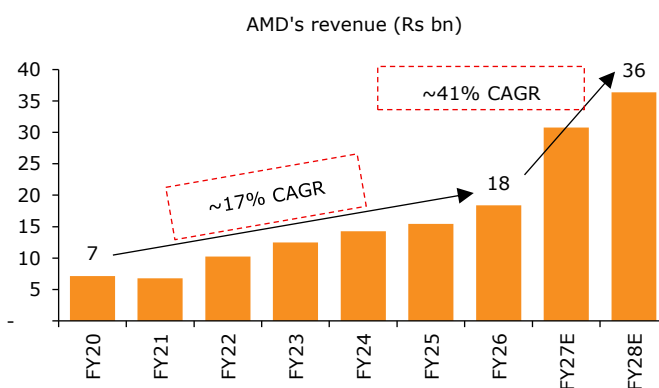
Source: Company, Emkay Research

Exhibit 132: AMD revenue mix

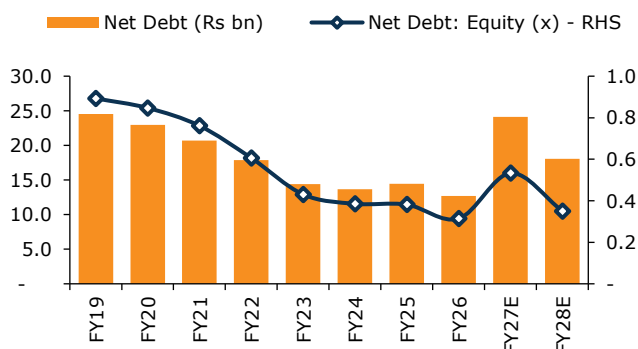
Source: Company, Emkay Research

Exhibit 133: Market growth trends for human protection/tactical gear

Source: Industry, Emkay Research

Exhibit 134: We expect 41% revenue CAGR for AMD over FY26-28E, backed by Dalco-GFT acquisition

Source: Company, Emkay Research; Note: FY27E includes Dalco operations, hence lower growth in FY28E on a high base

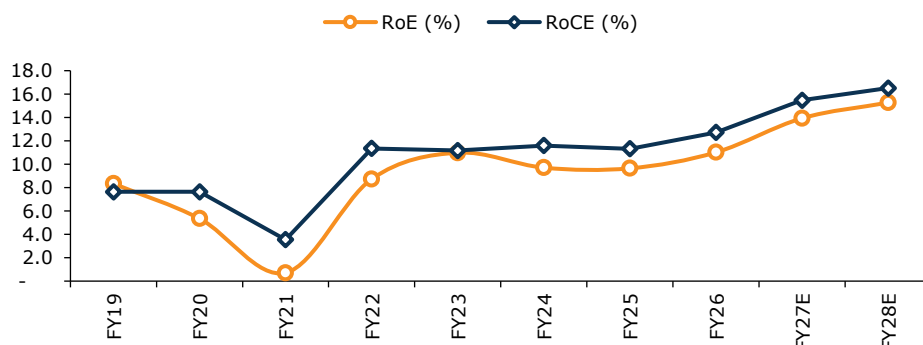
Exhibit 135: Significant deleveraging in the recent past...

Source: Company, Emkay Research

Exhibit 136: ...Non-core assets can come to the rescue under unforeseen circumstances

Non-core investments (fair value FY25)	Rs mn
Land parcels	2,137
Equity value in Shiprocket	1,046
Total value	3,183
As a % of FY26 gross debt	19.2

Source: Company, Emkay Research

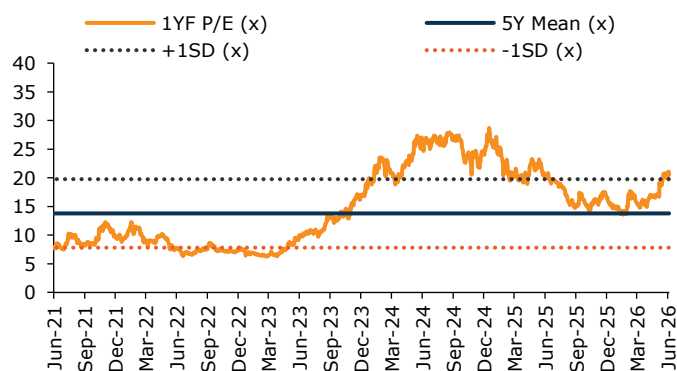
Exhibit 137: We expect RoE/RoCE 's at 15%/17%, respectively, by FY28

Source: Company, Emkay Research

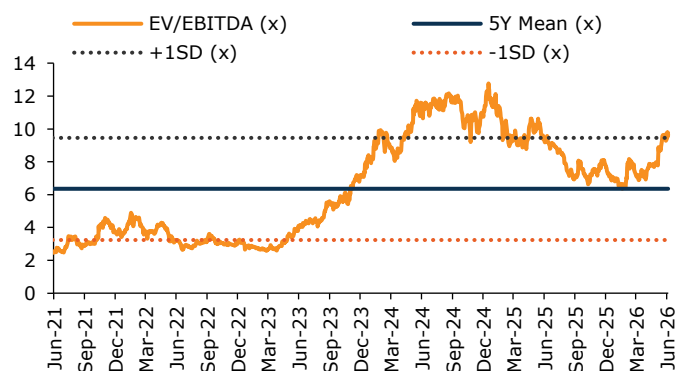
Exhibit 138: Valuation summary

Division	EV/EBITDA multiple (x)	FY28E EBITDA (Rs mn)	EV (Rs mn)
Textiles	11.0	9,172	100,890
AMD	20.0	4,209	84,182
Dalco (USA)	8.0	1,761	14,086
Others (Envisol, Telecom etc)	4.0	783	3,130
Total EV			202,289
Net debt (FY27E)			24,100
Non-core investments			2,328
Land parcels (applied 40% liquidity discount)*			1,282
Equity value in Shiprocket*			1,046
M-Cap (Rs mn)			180,518
No of shares (mn shares)			262
Target price (Rs)			700

Source: Company, Emkay Research; Note: *Value as on FY25-end

Exhibit 139: Arvind trades near +1SD on 1YF P/E basis...

Source: Company, Bloomberg, Emkay Research

Exhibit 140: ... and similarly on EV/EBITDA

Source: Company, Bloomberg, Emkay Research

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

Exhibit 141: Revenue model

Particulars (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Volumes					
Wovens (mn m)	123	128	136	139	145
Capacity utilization (%)	94.3	94.7	97.0	96.2	96.7
Denim (mn m)	48	52	60	62	64
Capacity utilization (%)	79.5	86.0	99.2	98.2	98.9
Garment (mn pieces)	32	37	42	47	54
Capacity utilization (%)	71.3	93.3	75.6	79.0	83.2
Calculated realization					
Wovens (Rs/m)	205	204	209	208	213
YoY growth (%)	(6.8)	(0.6)	2.2	(0.2)	2.1
Denim (Rs/m)	264	248	245	247	248
YoY growth (%)	(8.4)	(5.9)	(1.1)	0.6	0.5
Garment (Rs/pieces)	497	456	485	482	493
YoY growth (%)	(4.4)	(8.3)	6.5	(0.6)	2.2
Textiles revenue					
Wovens	25,170	26,110	28,330	29,030	30,834
YoY growth (%)	(9.8)	3.7	8.5	2.5	6.2
Denim	12,570	12,790	14,590	15,260	15,940
YoY growth (%)	(20.7)	1.8	14.1	4.6	4.5
Garment	15,950	17,000	20,190	22,869	26,653
YoY growth (%)	(5.8)	6.6	18.8	13.3	16.5
Others (voiles and knits)	8,490	9,560	9,770	10,400	10,800
YoY growth (%)	(12.3)	12.6	2.2	6.4	3.8
Gross revenue	62,180	65,460	72,880	77,559	84,226
Less: Inter-segmental	4,160	3,700	3,910	4,033	4,380
Total textiles revenue	58,020	61,760	68,970	73,526	79,847
AMD revenue					
Human protection	7,740	8,340	9,890	11,472	13,308
YoY growth (%)	20.4	7.8	18.6	16.0	16.0
Industrials (includes Dalco-GFT)	2,850	3,020	3,930	13,796	16,196
YoY growth (%)	(6.6)	6.0	30.1	251.0	17.4
Composites	3,680	4,070	4,570	5,484	6,855
YoY growth (%)	22.3	10.6	12.3	20.0	25.0
Total AMD revenue	14,270	15,430	18,390	30,752	36,359
YoY growth (%)	14.3	8.1	19.2	67.2	18.2
Segment-wise revenue					
Textile	58,030	61,740	68,970	73,526	79,847
YoY growth (%)	(13.6)	6.4	11.7	6.6	8.6
Advanced material	14,270	15,430	18,390	30,752	36,359
YoY growth (%)	14.3	8.1	19.2	67.2	18.2
Others	5,070	6,110	5,670	8,760	8,760
YoY growth (%)	21.0	20.5	(7.2)	54.5	-
Net revenue	77,370	83,280	93,030	113,038	124,966
YoY growth (%)	(7.7)	7.6	11.7	21.5	10.6
Segment-wise EBITDA, including OI					
Textile	6,440	6,250	7,100	8,283	9,496
EBITDA margin (%)	11.1	10.1	10.3	11.3	11.9
Advanced material	2,220	2,320	2,770	4,920	6,181
EBITDA margin (%)	15.5	15.0	15.1	16.0	17.0
Others	200	620	740	810	810
EBITDA margin (%)	3.9	9.2	10.2	9.3	9.3
Segment-wise EBITDA, including OI	8,860	9,190	10,610	14,014	16,488
EBITDA margin (%)	11.4	11.0	11.4	12.4	13.2
APAT	3,342	3,535	4,312	5,967	7,387
APAT margin (%)	4.3	4.2	4.6	5.3	5.9

Source: Company, Emkay Research

Investment thesis

From fiber to garment: Integrated advantage

Arvind's integrated operations provide (1) a margin cushion during periods of volatility (such as geopolitical tensions, tariffs, pandemics) and (2) improved client retention, as it allows clients to monitor quality and customize the final output. Arvind aims to increase captive fabric consumption to 25% from ~14% currently, which we believe will provide the company with an edge over peers.

Tailwinds for the garmenting segment

Assuming early double-digit EBITDA margin for the fabric segment, we imply mid-single digit margin for the garmenting segment (~20% of revenue contribution). We believe garmenting margins could expand through (1) higher captive consumption of fabric, (2) capex to enhance garmenting capacities, and (3) recent FTAs with the EU/UK. We expect overall textile revenue CAGR at ~8% (FY26-28E), supported by ~15% growth in the garmenting segment.

AMD – A play on the technical textiles segment

Arvind's AMD is a play on technical textiles segment, and the industry is expected to clock 11-12% CAGR over the medium term. High entry barriers and sticky client relationships ensure superior margins alongside healthy growth. AMD's positioning is further strengthened by the margin-accretive acquisition of Dalco-GFT (EBITDAM of ~17% vs AMD's ~15%). Factoring this in, we bake in revenue/EBITDA CAGRs of ~41%/49% for AMD over FY26-28E.

Healthy balance sheet – Building a platform for the next leap

Arvind has significantly deleveraged in recent years (net debt/EBITDA: 3.3x in FY20 to 1.3x in FY26), enhancing its resilience to external shocks and enabling inorganic growth. Non-core asset monetization and disciplined capex (Rs4.5-5bnpa) provide a financial cushion and improve earnings visibility, supporting its 20% mid-term RoCE target.

Exhibit 142: DuPont analysis

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
PAT/PBT (%)	91.0	85.8	(61.8)	59.2	71.1	72.1	71.5	73.3	68.9	69.5
PBT/EBIT (%)	62.1	42.3	(17.7)	75.4	88.9	80.0	83.1	82.4	84.4	85.0
EBIT/sales (%)	6.7	5.5	3.5	6.9	6.5	7.5	7.1	7.7	9.1	10.0
Asset turnover (x)	1.6	1.6	1.0	1.7	1.7	1.6	1.6	1.6	1.8	1.8
Assets/equity (x)	1.4	1.7	1.8	1.7	1.5	1.4	1.4	1.5	1.5	1.4
RoE (%)	8.3	5.3	0.7	8.7	11.0	9.7	9.6	11.0	13.9	15.3

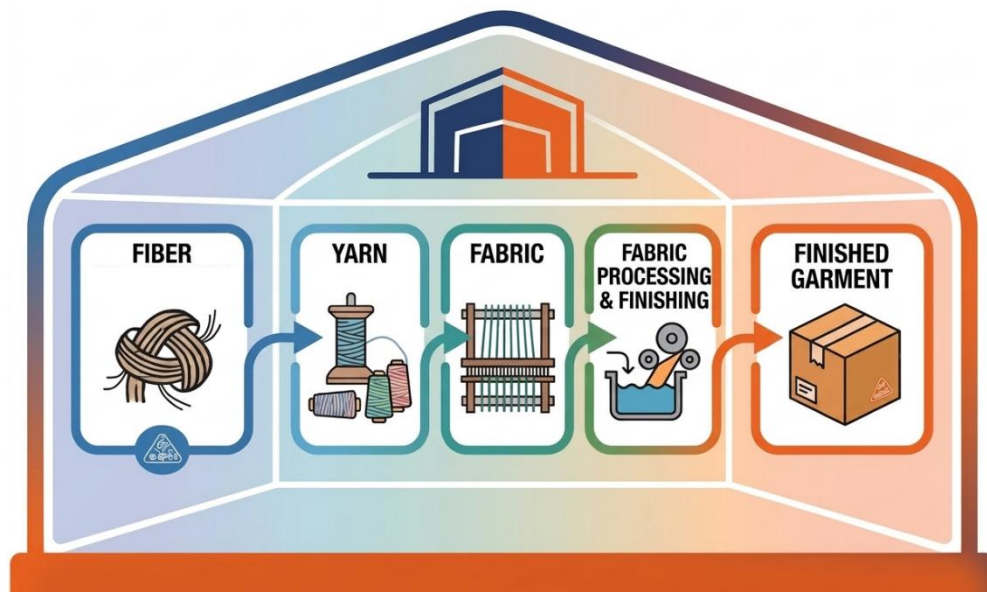
Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

From fiber to garment: Integrated advantage

- Arvind's integrated model focuses on seamless verticalization from fiber-to-finished-garments, positioning the company as a strategic, one-stop-shop partner for global brands, rather than just a fabric supplier.

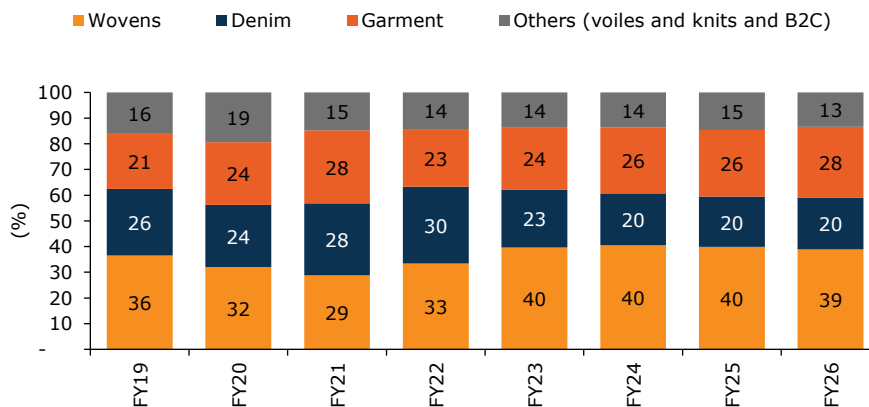
Exhibit 143: Arvind's integrated textile's business model



Source: Company, Emkay Research

- Arvind's textile division operates under four sub-verticals: woven (~39%), denim (~20%), garments (~28%), and other small segments (voiles, knits and B2C stores ~13%).

Exhibit 144: Arvind's textile segmental revenue mix

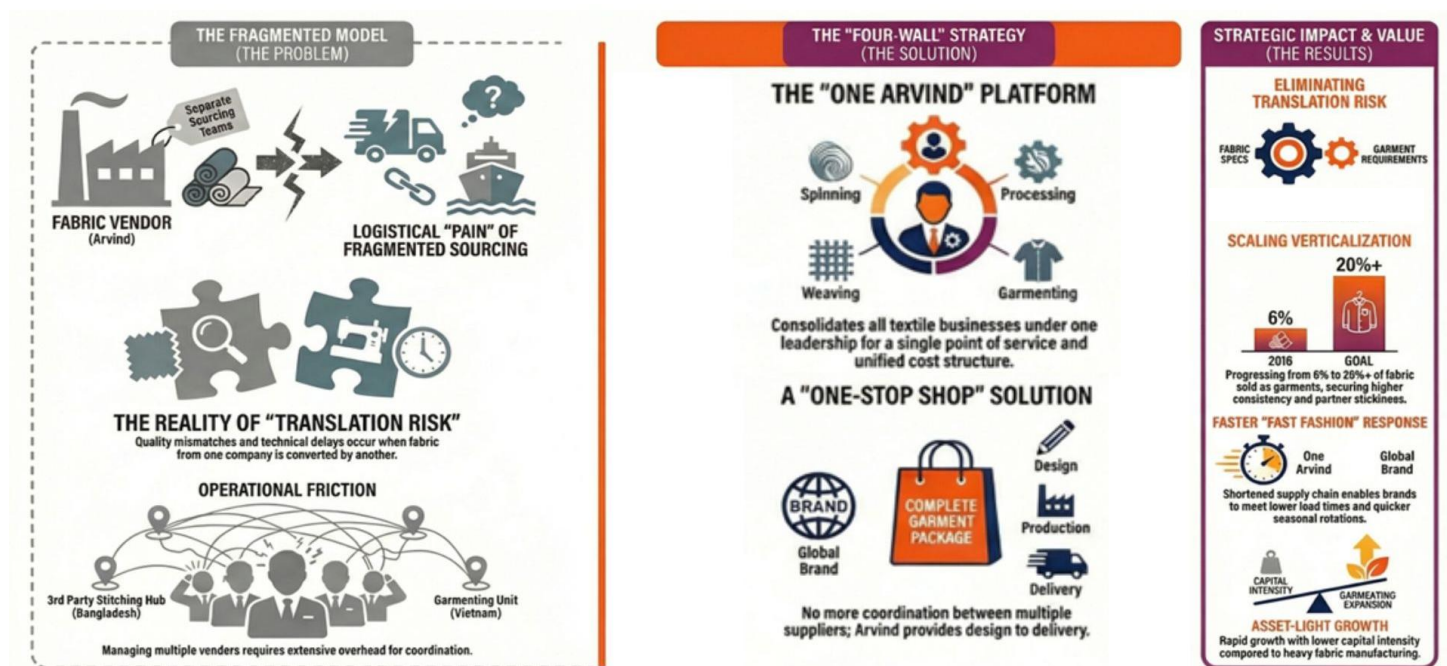


Source: Company, Emkay Research

Advantages of an integrated model

- Arvind's integrated textile operations provide control over quality, compliance, and turnaround times, enhancing client retention ratio (particularly among fast fashion brands) even in volatile situations.

Exhibit 145: Arvind's vertically integrated model at a glance



Source: Company, Emkay Research

- The business model is also supported by superior economics, as fabric manufacturing is capital-intensive with low asset turns (~1.5x), while garmenting is relatively asset-light (2.5-3x turns) with lower opex, enabling faster scale-up and higher returns.
- Arvind's diversified structure also cushions external shocks such as tariffs and geopolitical risks by spreading the impact across verticals and enabling cost-sharing with customers, helping preserve order flow rather than lose business.

Exhibit 146: Strategic tariff management and customer retention

Phase	Operational and strategic response	Financial and business impact
The challenge	Following the new US presidency, tariff policies shifted rapidly, moving India to a disadvantageous 50% tariff level, one of the highest among competing markets.	Direct US exposure stood at ~20% of total revenue, with some customers delaying orders and others seeking cost absorption.
Arvind's strategy	The management chose to stand by long-standing customers, using its integrated model to distribute the tariff across internal segments.	Minimal loss of market share
Sharing the burden	Direct discounts were offered to strategic partners.	Although tariff-related costs in FY26 are estimated at ~Rs900mn, the management views this impact as a strategic cost to gain future market share.

Source: Company, Emkay Research

Tailwinds for garment segment

- During the early 2010s, denim fabric contributed the lion's share of textile revenues. However, Arvind increased its exposure to the garmenting segment due to an oversupplied denim fabric market (domestic capacity at ~2.5x market demand).

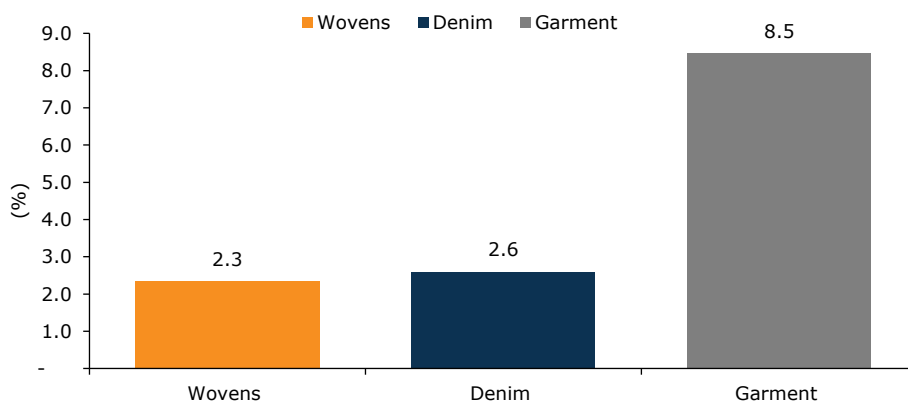
Exhibit 147: Management commentary on denim fabric overcapacity

Period	National installed capacity	Key context	Source
FY13	0.8-1bn meters	~250mn meters added in a single year	FY13 AR
FY18	~1.5bn meters	Massive oversupply; regional players pushing volumes via discounts and lower pricing	Q4FY18 transcript
FY23	~2bn meters	Capacity is 2.5x-3x of total market demand	Q3FY23 transcript

Source: Company, Emkay Research

- The garmenting vertical has emerged as the fastest-growing vertical post-Covid, with ~8% volume CAGR over FY23-26.

Exhibit 148: Textile division's vertical-wise volume growth performance over FY23-26



Source: Company, Emkay Research

- In Q3FY26, the management outlined a three-phase growth strategy, with primary focus on scaling denim and knit jersey capacities.

Exhibit 149: Arvind's three phase garment expansion plan

Phase	Focus area	Priority level
Phase 1	Denim and knits	Highest priority
Phase 2	Shirts	Medium priority
Phase 3	Activewear and womenswear	Long-term/emerging

Source: Company, Emkay Research

Garmenting offers headroom for margin expansion

- Assuming early double-digit EBITDA margin for the fabric segment, we imply mid-single-digit margin for the garmenting segment.

Exhibit 150: Calculation of core EBITDA (FY26)

Particulars (Rs mn)	EBITDA (incl OI)	Adjustment (Pari Pasu)	Derived Core EBITDA
Textile	7,100	379	6,721
Advanced Material	2,770	148	2,622
Others	740	39	701
Total	10,610	566	10,044

Source: Company, Emkay Research; Note: OI means other income;
Adjustment = EBITDA including OI – Reported EBITDA

Exhibit 151: Vertical-wise EBITDA margin estimates (FY26)

Particulars (Rs mn)	Adj net revenue	Est EBITDA margin	Derived EBITDA
Wovens	26,810	15.0	4,022
Denim	13,807	9.0	1,243
Garment	19,107		
Others (Voiles, Knits, and B2C)	9,246	5.0	462
Total	68,970		5,726

Source: Company, Emkay Research

Exhibit 152: Implied EBITDA margin for the garments business

Particulars	Rs mn
Textiles core EBITDA	6,721
Derived (Excl garments)	5,726
Implied garments EBITDA	995
Garments EBITDA margin (%)	5.2

Source: Company, Emkay Research

- As shown in Exhibit 30, pure-play garmenting companies clock an average EBITDA margin of ~10%.
- Arvind's blended EBITDA margin has been in the 9-10% range, with garmenting contributing ~20% of revenue.

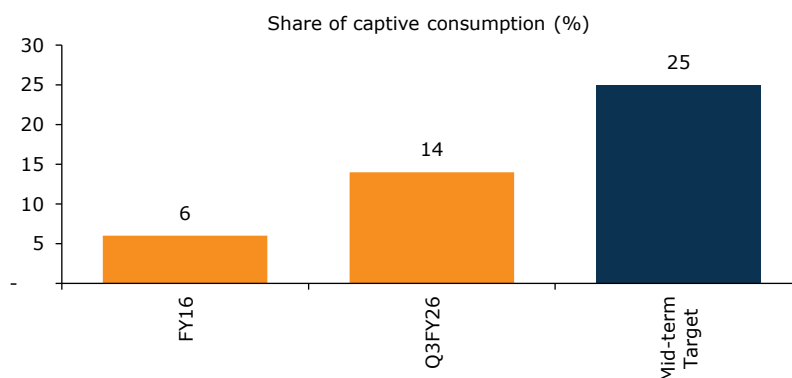
Exhibit 153: Peer comparison

Particulars	Arvind Ltd	Pearl Global	Gokaldas Exports	Vardhman Textiles
Types of garments	Jeans, shirts, and knits	Knits, wovens, denims, outerwear, sleepwear, loungewear, childrenswear, activewear, and athleisure	Fashionwear, outerwear, bottomwear, casualwear and sportswear	Shirts
Garment capacity	~55mn pcs/year	~94mn pcs/year	~87mn pcs/year	~2.7mn pcs/year
Garment revenue FY26 (Rs bn)	20.2	50.0	40.0	1.3^
as a (%) of total revenue	20.4%	100.0%	100.0%	1.3%^
Clients	Celio, J. Crew, Hugo Boss, GANT, American Eagle, Mango, Banana Republic, Landmark, and Levi's	Tommy Hilfiger, Calvin Klein, Bershka, Ann Taylor, GAP, Old Navy, WHBM, Chico's, Next, Loft	GAP, Banana Republic, Columbia, Carhartt, H&M, and Puma	Zara, Lands' End, Ben Sherman, H&M, C&A, Columbia, Decathlon, Uniqlo
Margin profile	~5%#	8-10%	10-12%	10-14%*
FY26 export revenue (%)	~41%^	~99%^	~88%^	~56%
Top export hubs	US, Europe, Bangladesh, UK, Australia	US, Spain, Canada, UK, Australia	US, Canada, Netherlands, UK, France	Bangladesh, the Middle East and Asia, Central America
Level of integration	Arvind Ltd	Pearl Global	Gokaldas Exports	Vardhman Textiles
Spinning	✓			✓
Weaving/Knitting	✓			✓
Dyeing	✓	✓	✓	✓
Cutting	✓	✓	✓	✓
Sewing and designing	✓	✓	✓	✓
Finishing	✓	✓	✓	✓

Source: Company, Emkay Research; Note: *For textiles division; ^For FY25; #Implied margin

- We estimate Arvind's garmenting segment to align with peers in the mid-to-long term, on the back of (1) dedicated capex, (2) higher fabric consumption, and (3) market share gains.
- Arvind's captive fabric consumption has risen to ~14% in FY26 (vs ~6% in FY16), with ~20% captive consumption in denim and ~50% in knits. Further increases in captive share are directly margin-accretive, with the management targeting 25% over the mid-term.

Exhibit 154: Share of captive consumption trend



Source: Company, Emkay Research

- Arvind targets 60mn pcs capacity by FY27 through a mix of greenfield and brownfield expansions. These facilities deploy advanced robotics and automation to reduce manpower intensity by nearly one-third, mitigating labor shortages.

Recent FTAs augur well

- The recently signed Free Trade Agreement (FTA) with the EU and UK provides Arvind a level playing field vs peers in Bangladesh and Vietnam, while offering a 12% duty advantage over China.

Exhibit 155: Tariff levied on textile exporting countries

From/To	US pre-tariff (MFN)	US post-tariff (May 2026)	EU	Japan	UK	Canada
China	16.5-32%	~34-50%	~12%	~9-13%	~12%	~16-18%
Bangladesh	16.5-32%	~26.5-42%	0%	0%	0%	0%
Vietnam	16.5-32%	~26.5-42%	0-3%	0%	0-3%	0%
Ethiopia	16.5-32%	~26.5-42%	0%	0%	0%	0%
Kenya	16.5-32%	~26.5-42%	0%	~7-13%	0%	~16-18%
Indonesia	16.5-32%	~26.5-42%	~12%	0%	~9.6%	~16-18%
India	16.5-32%	~26.5-42%	~12%→0%	0%	~12%→0%	~16-18%

Source: Industry, Emkay Research; Note: US MFN ranges from ~16.5% (cotton apparel) to ~32% (MMF apparel); US post-tariff = MFN + 10% u/s 122 (applicable till 23-Jul-26; China attracts additional 7.5% u/s 301); India EU duty falls to 0% once the FTA is ratified by the EU parliament (12-15 months); India UK duty falls to 0% on FTA entry into force (expected in CY26)

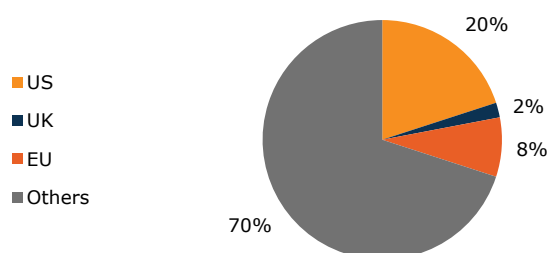
"Arvind currently does about Rs2bn of business in the UK market. And with the new trade enablers, we expect this to double in the next few years"

– Management, Q1FY26

- Fruition of FTAs usually takes over a year. Arvind is utilizing this time to build customer relationships, strengthen team base, and seed the market.
- UK- and EU-based customers increasingly procure finished garments from ESG-compliant suppliers. Arvind's control over quality and shorter turnaround times positions it as a preferred partner.
- Arvind's textiles division has ~30-35% exposure to the US (~20% direct and ~10-15% indirect via Bangladesh and Vietnam), ~10% to the EU and UK, while the Advance Material Division (AMD) has ~30% US exposure and ~10% to the EU and UK.

Exhibit 156: Arvind's export mix for the textile division...

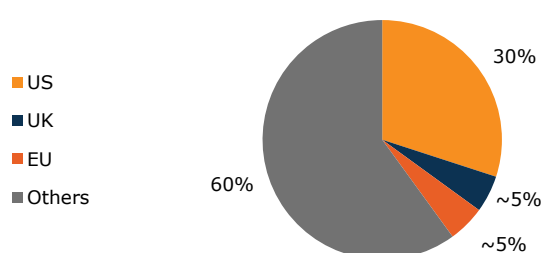
Textiles' export mix



Source: Company, Emkay Research

Exhibit 157: ... and similarly, for Advance Material Division

AMD's export mix



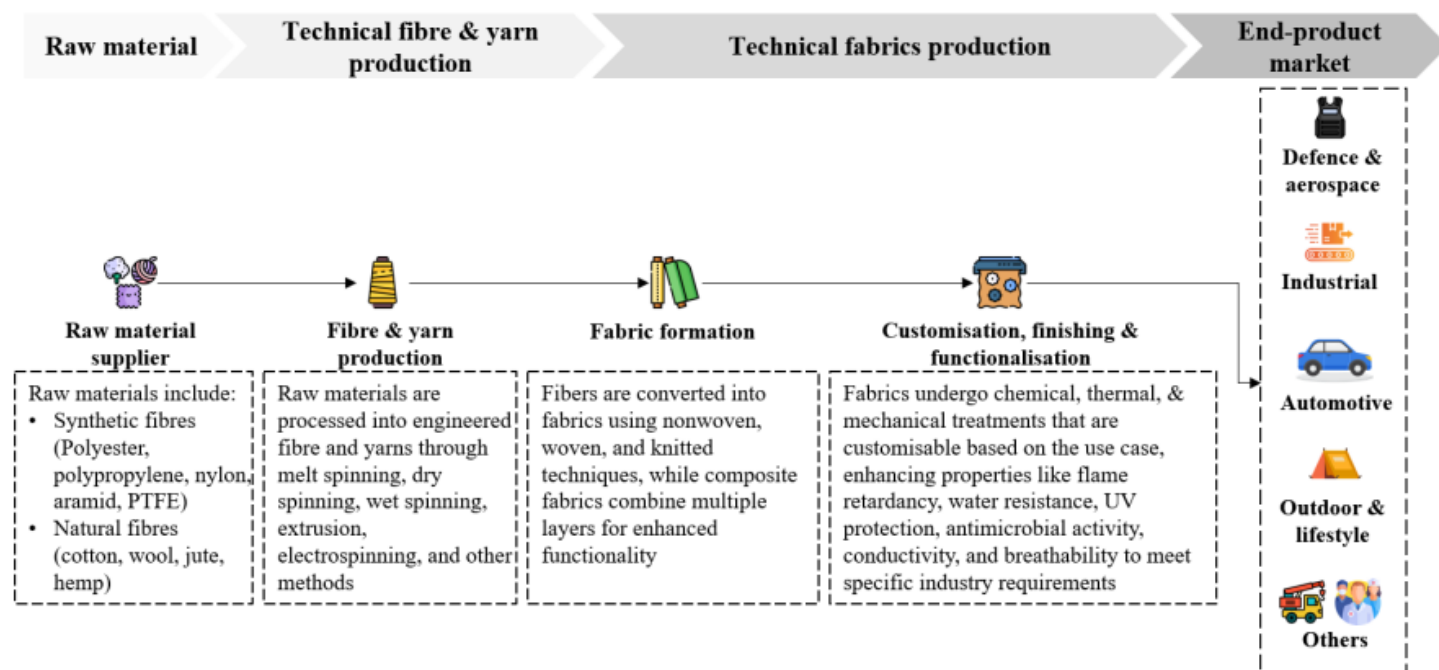
Source: Company, Emkay Research

AMD – A play on technical textiles

What is AMD?

- Advanced Material Division (AMD) is Arvind's engineered fabrics arm, dealing in advanced, custom-made textiles designed for functional performance instead of aesthetics, offering high durability, moisture resistance, breathability and tensile strength.
- It serves a wide range of industries, including defense (extreme cold weather suit, turn out gear), aerospace (stitch-bond carbon and glass components), automotive (airbags, hoses), medical (hospital scrubs, PPE suit) and outdoor/sports (art canvas, rackets).

Exhibit 158: Engineered fabrics value chain



Source: Industry, Emkay Research

- Arvind commenced operations in AMD in 2008 with human protection garments as an extension of its fabric division and has since evolved into three engineered fiber segments: Human Protection, Composites, and Industrials.
- AMD products are life-critical, with certification cycles typically spanning 2–8 years, creating sticky customer relationships and high entry barriers.
- Arvind spends Rs150-190mn pa on R&D and innovation, enabling the division to transition into a mature, high-margin portfolio.

Exhibit 159: Key innovations in manufacturing operations at Arvind

Innovations	Description
Advanced fire-resistant products	Developed glass fiber reinforced plastic (GFRP) firewall and wide-width fiber reinforced plastic (FRP) fan blade with superior thermal insulation using custom pultrusion
Optimized pultrusion tooling	New tooling for narrow cavities, improving efficiency and first-time-right output
Cost-effective fire-resistant alternatives	Replaced conventional additives with more efficient, lower-dosage additives, reducing costs without performance loss
Innovative resin formulations	Pigment-free white resin with <1% water absorption, improving durability

Source: Company, Emkay Research; Note: Annual Report of FY25

- This quality moat has driven revenue from ~Rs5bn in FY18 to ~Rs18bn by FY26 (~18% CAGR), lifting AMD's share in total revenue from ~7% to ~19% over the same period.

Exhibit 160: Key metrics of the AMD business

Feature	Details
Core verticals	Human protection, industrials, and composites
Technical advantages	High entry barriers are driven by long qualification cycles (2-8 years) and deep technical know-how, resulting in exceptionally sticky B2B relationships
EBITDA margin	14%-15.5%
Asset turnover	~3.0x or higher
ROCE profile	25%-30%

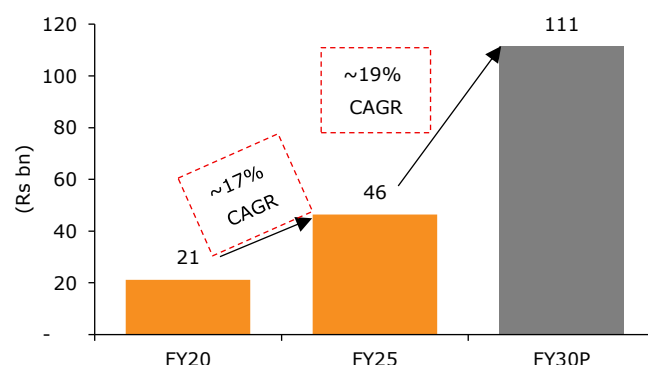
Source: Company, Emkay Research

- AMD's focus segments, including the defense and aerospace, are split into tactical gear (bulletproof jackets, defense uniforms, etc) and aerospace (drone casing, carbon composite solutions, etc).

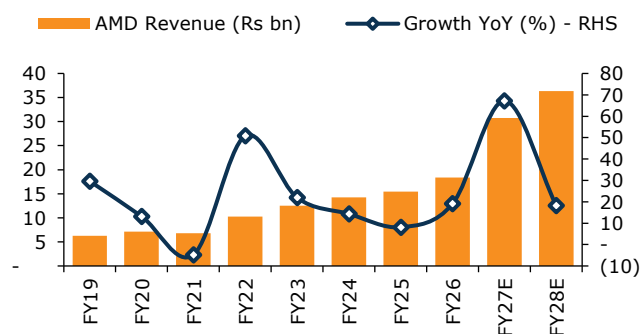
Exhibit 161: Tactical gear use cases in industry context

Parameters	Definition	Key characteristic
Rain poncho	Lightweight, waterproof covering designed to shield personnel and gear from rain and wet conditions	Provides full-body protection from rain and stays durable even in harsh conditions
Bulletproof jackets	Personal protective gear incorporating ballistic-resistant materials to absorb and disperse impact	Delivers reliable ballistic protection while maintaining mobility, comfort, and durability
ECWCS	A three-layered clothing system specifically designed and evaluated to provide insulation, waterproofing, strength & lightweight properties	Superior thermal insulation and moisture-wicking properties to ensure protection in extreme cold and high-altitude conditions
High altitude & visibility clothing	Specialized clothing engineered for operations in high-altitude, low-visibility environments	Ensures water resistance, abrasion resistance, and high-visibility markings for safety in harsh climates
CBRN	Protective gear designed to shield against hazardous CBRN threats while maintaining durability, breathability, and mobility	Comprehensive protection from environmental threats while maintaining mobility and breathability

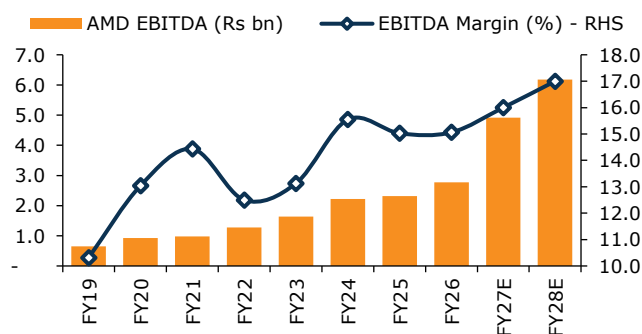
Source: Industry, Emkay Research

Exhibit 162: Domestic industry engineered fabric (tactical gears) market growth trends

Source: Industry, Emkay Research

Exhibit 163: AMD's revenue growth trends

Source: Company, Emkay Research; Note: FY27E includes Dalco operations, hence lower growth in FY28E on a high base

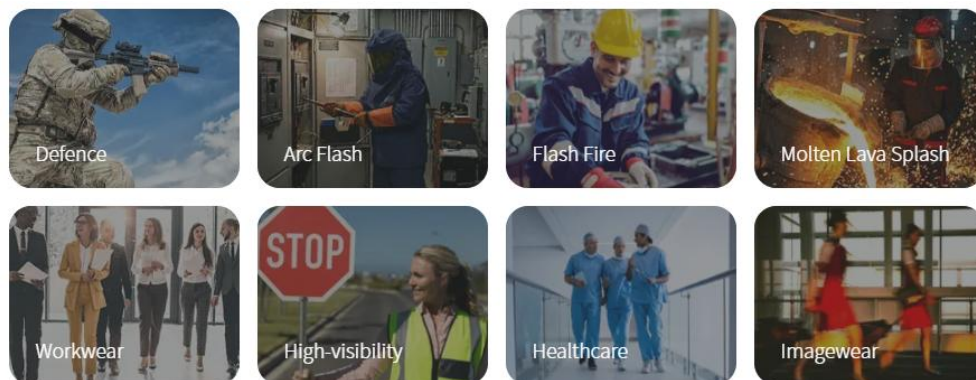
Exhibit 164: AMD's EBITDA and margin trends

Source: Company, Emkay Research

Human Protection

- Human Protection is AMD's second-largest and fastest-growing vertical (following the Dalco acquisition), delivering ~20% CAGR over FY20–26 to reach ~Rs10bn by FY26 and contributing over 50% of AMD's revenue.
- The division is a category leader in industrial fire-retardant (FR) garments, providing protection from flash fires, electric arcs, and hazardous chemicals, and serving sectors such as oil & gas, steel, and power, as well as defense forces.
- The management is also de-risking US exposure amid geopolitical stress by pivoting growth toward the UK, Oceania (Australia and New Zealand) and the Middle East.

Exhibit 165: Human Protection segment delivers specialized clothing and accessories engineered to perform in harsh operating conditions



Source: Company, Emkay Research

Composites

- Composites is AMD's second key growth engine, delivering ~20% CAGR over FY20–26 and contributing ~25% of AMD's revenue.
- This vertical utilizes glass and carbon fiber technology to produce structural reinforcements and molded parts for mass transportation (metro/train interiors and driver cabins), wind energy, telecom towers, and carbon-fiber sports equipment.
- A recently secured Rs2bn order for the Vande Bharat Program is a major near-term catalyst, set to drive capacity utilization over the next several years, alongside a revival in glass fabric demand in Europe and the US.

Exhibit 166: Application of glass fiber in Vande Bharat interiors...



Source: Company, Emkay Research

Exhibit 167: ... and in the nose section of Vande Bharat

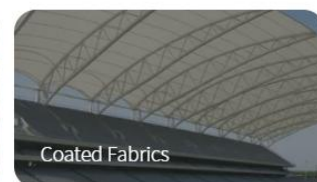


Source: Company, Emkay Research

Industrials

- Industrials is AMD's steady-state vertical, delivering a modest ~9% CAGR over FY20-26, and currently accounts for ~21% of AMD's revenue, down from ~32% in FY20 as Human Protection and Composites have grown at a faster pace.
- This vertical focuses on technical textiles for industrial processes, including air and liquid filtration, high-performance conveyor belting, and reinforcement fabrics for automotive hoses and diaphragms.
- With the acquisition of US-based Dalco-GFT, we expect total revenues from this vertical to reach ~Rs16bn by FY28E (vs ~Rs4bn in FY26).

Exhibit 168: Industrial segment provides solutions to strengthen infrastructure, improve operational efficiency, and enable creative architectural expression



Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Simple structure provides future optionality

- The creation of Arvind Advanced Materials Limited (AAML) consolidates Arvind's high-growth technical textile businesses into a dedicated legal entity, enhancing operational focus and financial transparency.
- Through a Scheme of Arrangement approved by the NCLT (wef 1-Sep-25), the above three core verticals were housed under one umbrella to create a single entity.
- Historically, Arvind has demerged businesses as separately listed entities, after achieving self-sustainable scale.

Exhibit 169: Spin-offs from Arvind Ltd

Entity	Year of demerger/listing	Business segment
Arvind Smart Spaces (formerly Arvind Infrastructure)	FY2015-16	Real estate and infrastructure development
Arvind Fashions Ltd	FY2018-19	Branded apparel and retail (power brands such as US Polo and Arrow)
Anup Engineering Ltd	FY2018-19	Heavy engineering (process equipment fabrication)

Source: Company, Emkay Research

Exhibit 170: Arvind group portfolio companies



Source: Company, Emkay Research

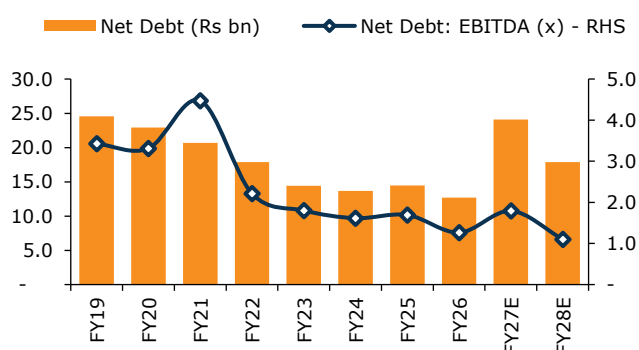
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Healthy balance sheet – Building a platform for the next leap

Strategic deleveraging

- Arvind has executed a disciplined multi-year deleveraging strategy, prioritizing long-term debt reduction while funding capex largely through internal accruals.
- Between FY20 and FY26, long-term debt declined from ~Rs12bn to ~Rs5bn, resulting in net debt/EBITDA declining to ~1.3x in FY26 (from 3.3x in FY20).
- Following the Dalco-GFT acquisition, we expect net debt/EBITDA to rise to ~1.8x in FY27 before easing to ~1.1x by FY28, aided by healthy cash flows and limited capex.
- Asset monetization provides an additional layer of comfort, with ~Rs2bn worth of land in non-core assets and ~Rs1bn stake in Shiprocket (DRHP filed in Nov-25).

Exhibit 171: Leverage trend



Source: Company, Emkay Research

Exhibit 172: Non-core assets

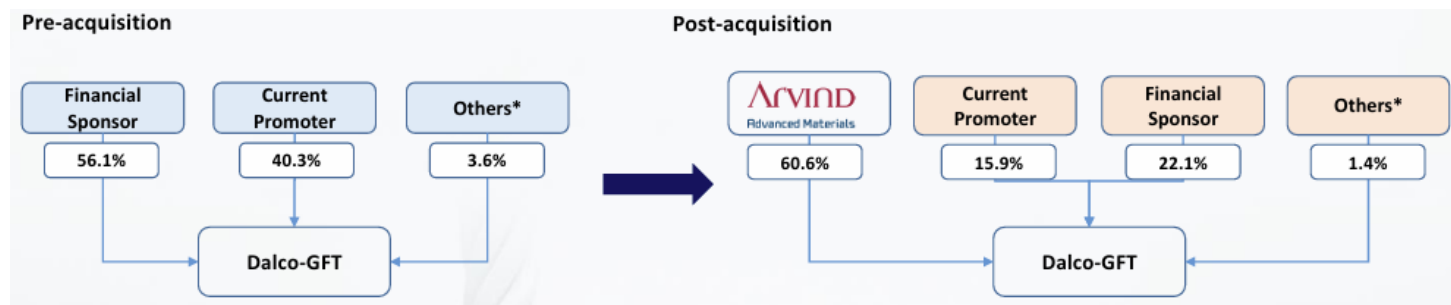
Non-core investments (fair value FY25)	Rs mn
Land parcels	2,137
Equity value in Shiprocket	1,046
Total value	3,183
As a % of FY26 gross debt	19.2

Source: Company, Emkay Research

Going global with Dalco-GFT

- In May-26, AAML acquired ~61% stake in Dalco-GFT (a US-based needle-punch nonwoven maker), valued at an EV of USD136mn (7.75x CY25 EV/EBITDA).
- This deal was funded via debt (~USD50mn/USD60mn in Dalco-GFT/AAML) and came with a provision for AAML to acquire the remaining stake over four years.

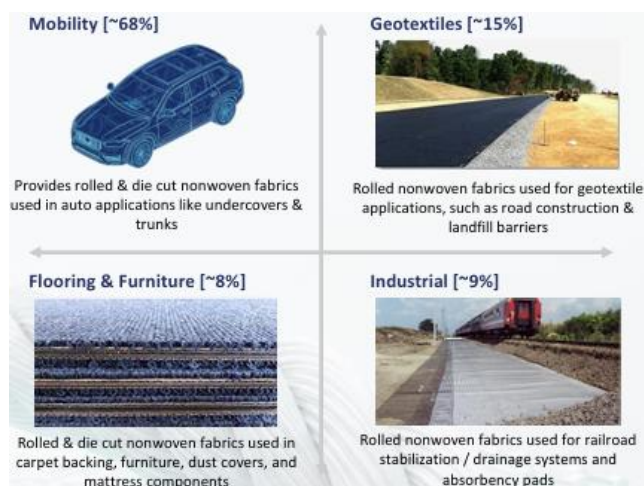
Exhibit 173: Change in the shareholding structure of Dalco-GFT



Source: Company, Emkay Research

- Dalco-GFT serves 75+ customers across mobility, geotextiles, industrial, and flooring & furniture. It is the sole supplier for ~88% of its business.
- In CY25, Dalco clocked ~USD100mn in revenue with a 17.1% EBITDA margin (vs AMD's ~15% EBITDA margin including other income in FY26) and a 40% RoCE, making the deal margin- and EPS-accretive from year one.

Exhibit 174: Dalco's product segments by end-user market...



Source: Company, Emkay Research

Exhibit 175: ...and key business matrices



Source: Company, Emkay Research

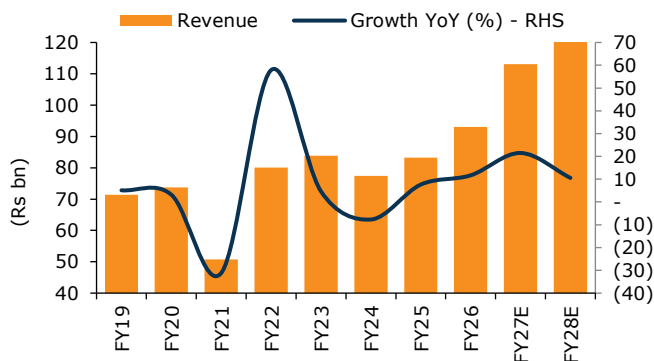
- Building this business organically could have taken AAML nearly a decade. The Dalco deal delivers it instantly and opens the door to a ~USD2.5bn market.
- Earlier focus on margins resulted in limited growth to 10% CAGR but AAML targets mid-teen growth led by ~USD5mnpa capex (plans to add three new production lines).
- Under AAML, Dalco plans to tap the under-penetrated US geotextiles and filtration market. While in India, AAML will leverage Dalco's know-how to seed auto and geotextile markets.
- We expect Dalco-GFT to add incremental revenue of ~Rs20bn to AMD over FY27E-28E, with EBITDA of ~Rs3.4bn, expanding the division's EBITDA margin (including other income) by ~190bps over FY26.

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Financial analysis

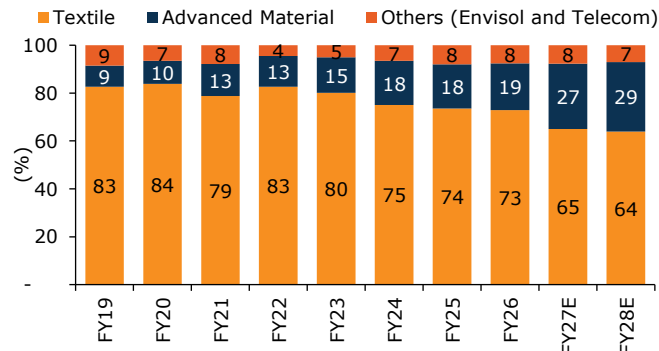
- We expect Arvind's revenue to deliver a 16% CAGR over FY26-28E, led by the AMD and garments segments. Within this, AMD is expected to deliver ~41% revenue CAGR over FY26-28E, while the textiles segment is projected to register ~8% revenue CAGR, driven by expansion in the garmenting vertical (~15% CAGR) and modest growth in the fabric (denim and woven) vertical.

Exhibit 176: Annual revenue trends



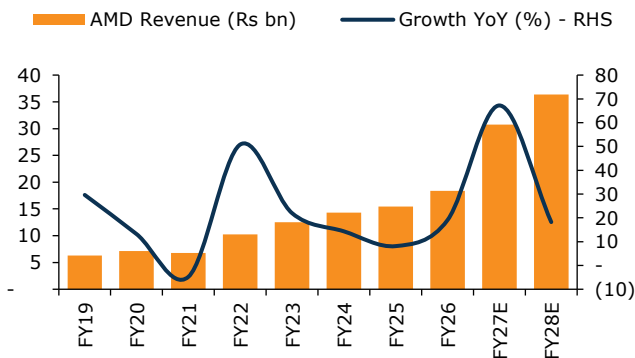
Source: Company, Emkay Research

Exhibit 177: Revenue mix trends



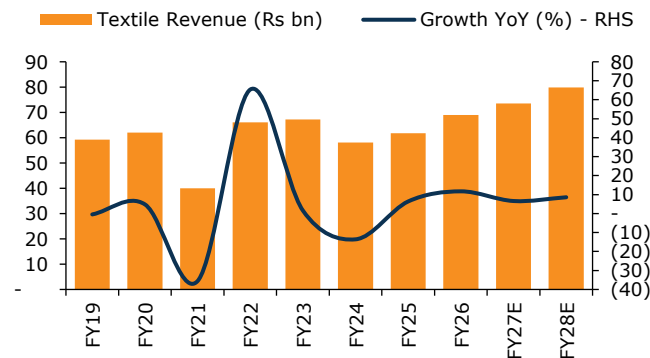
Source: Company, Emkay Research

Exhibit 178: AMD's revenue growth trend



Source: Company, Emkay Research; Note: FY27E includes Dalco operations, hence lower growth in FY28E on a high base

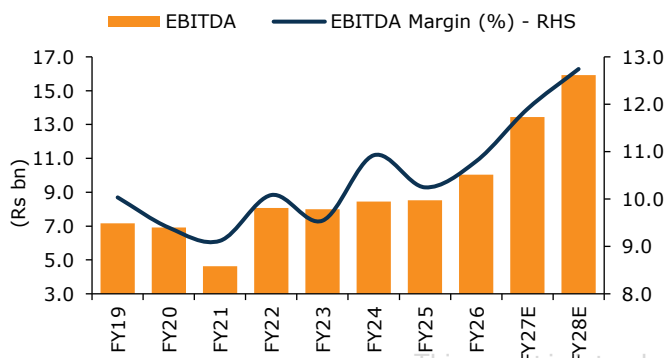
Exhibit 179: Textile division's revenue growth trend



Source: Company, Emkay Research

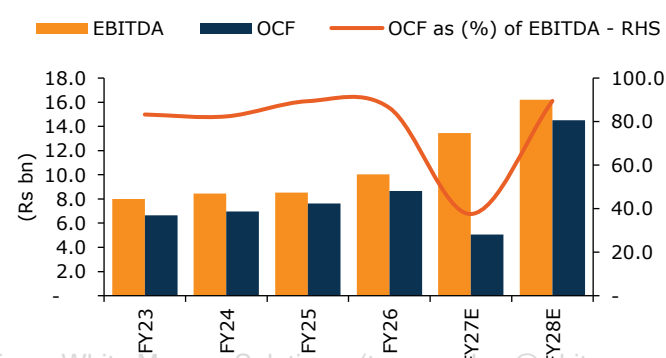
- We project ~26% EBITDA CAGR over FY26-28E, with margin expansion of ~190bps, led by (1) consolidation of high-margin Dalco-GFT, (2) improving share of the high-margin AMD business, and (3) operating leverage in the garments business.

Exhibit 180: EBITDA and EBITDA margin trends



Source: Company, Emkay Research

Exhibit 181: Arvind maintains >80% EBITDA conversion to OCF



Source: Company, Emkay Research

- We expect a cycle of 68 days in FY27E due to the West Asia crisis, which is expected to normalize to 60 days in FY28E.

Exhibit 182: Working capital days trend

Particulars (no of)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Inventory days	82	63	83	101	72	94	94	85	90	80
Receivable days	46	52	79	51	42	50	52	57	55	50
Payable days	69	62	101	99	54	65	73	77	77	70
NWC days	58	53	61	52	60	79	73	65	68	60

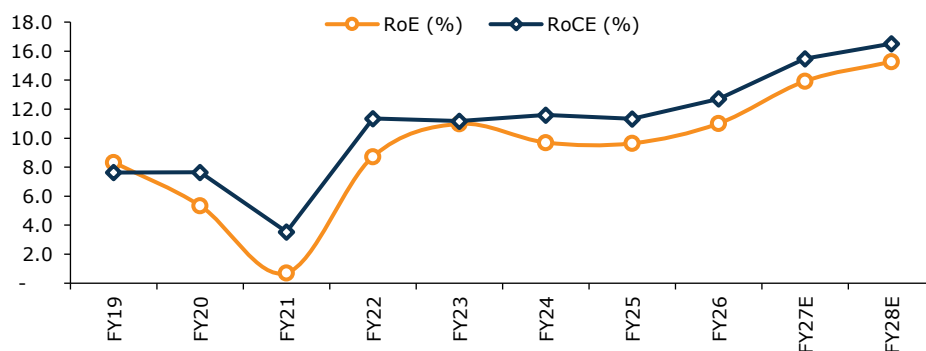
Source: Company, Emkay Research

- We expect RoEs to approach ~15% by FY28E (improvement of ~430bps), on the back of margin expansion.

Exhibit 183: DuPont analysis

Particulars	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
PAT/PBT (%)	91.0	85.8	(61.8)	59.2	71.1	72.1	71.5	73.3	68.9	69.5
PBT/EBIT (%)	62.1	42.3	(17.7)	75.4	88.9	80.0	83.1	82.4	84.4	85.0
EBIT/sales (%)	6.7	5.5	3.5	6.9	6.5	7.5	7.1	7.7	9.1	10.0
Asset turnover (x)	1.6	1.6	1.0	1.7	1.7	1.6	1.6	1.6	1.8	1.8
Assets/equity (x)	1.4	1.7	1.8	1.7	1.5	1.4	1.4	1.5	1.5	1.4
RoE (%)	8.3	5.3	0.7	8.7	11.0	9.7	9.6	11.0	13.9	15.3

Source: Company, Emkay Research

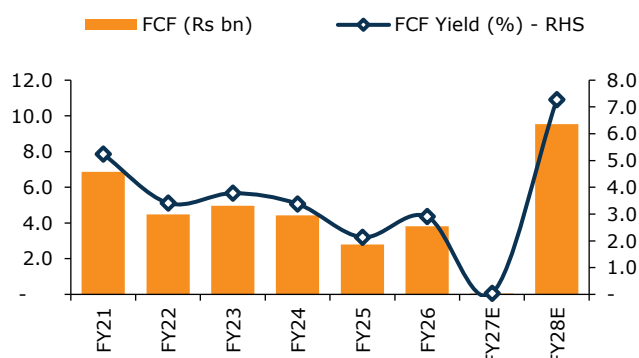
Exhibit 184: Return ratio trends

Source: Company, Emkay Research

Cash flow analysis

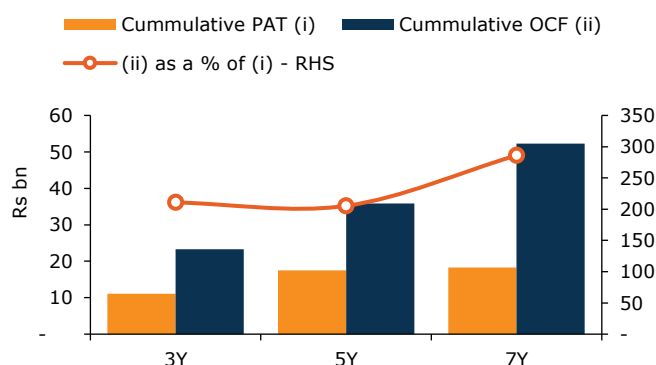
- **FCF generation:** Arvind has generated a cumulative FCF of ~Rs20bn over FY22-26.
- **FCF deployment:** Of the above amount, Arvind paid ~Rs15bn in principal and interest payments, with the remaining ~Rs4bn in dividend payments.
- **FCF expectation:** We expect Arvind to generate cumulative OCF of ~Rs19bn over FY27E-28E. Against this, we factor in 1) ~Rs10bn of cumulative capex, 2) ~Rs7bn of interest and dividend payments, and 3) ~Rs6bn of debt addition to fund the Dalco acquisition. Collectively, accounting for the consolidation of Dalco-GFT, we expect incremental cash generation of ~Rs220mn.
- **Earnings quality:** Over the past five years, Arvind has reported a cumulative PAT of ~Rs17bn, against which it generated a cumulative OCF of ~Rs36bn (~2.1x of PAT).

Exhibit 185: FCF trend



Source: Company, Emkay Research

Exhibit 186: Profits and OCF trends in phases



Source: Company, Emkay Research

Exhibit 187: Contingent liabilities

Particulars (Rs mn)	FY21	FY22	FY23	FY24	FY25
Claims against Group not acknowledged as debts	109	118	109	98	97
Disputed demands in respect of	590	346	504	457	371
Excise and customs duty	137	137	137	48	48
Value-added tax and Central sales tax	186	76	70	78	95
Income tax	179	50	45	62	42
Goods and services tax	0	0	79	97	107
Service tax	88	84	172	172	79
Contingent liabilities	700	465	613	555	468
As a (%) of net worth	2.6	1.6	1.8	1.6	1.2
Particulars (Rs mn)	FY21	FY22	FY23	FY24	FY25
Remuneration to KMP	44	114	265	258	368
as a (%) of PBT (ex - exceptional items)	96.0	2.7	6.2	5.6	7.4
Auditors remuneration	12	17	21	18	22
as a (%) of PBT (ex - exceptional items)	25.8	0.4	0.5	0.4	0.4

Source: Company, Emkay Research

Valuation and outlook

- Over the past decade, Arvind strengthened its balance sheet (net debt/EBITDA fell to 1.3x in FY26 vs 3.3x in FY20) by pivoting toward garments, scaling up AMD, and disciplined capex.
- The company is now shifting focus toward growth through a dedicated capex of ~Rs5bnpa in garments and AMD (including Dalco).
- We expect Arvind's EBITDA margin to expand from 10.8% in FY26 to 12.7% by FY28E, driven by operating leverage in garments and the continued scale-up of AMD, augmented by Dalco's high-margin contribution.
- Consequently, we model FCF generation of ~Rs10bn over FY27E-28E and expect net debt/EBITDA to improve further to 1.1x by FY28E.
- We value Arvind on a sum-of-the-parts (SoTP) basis, ascribing each vertical a target EV/EBITDA multiple calibrated to its nature, growth profile, and profitability.

Exhibit 188: Rating rationale

Vertical	Target multiple (FY28E EV/EBITDA)	Rationale
Textiles	11x	- Cyclical, asset-heavy by nature - Ex-Garments other verticals operate at mid-teen margins - Garments margin (FY26: ~5%) improving with scale
AMD	20x	- Premium justified by ~19% CAGR in a niche market with superior returns (~15% margin, >25% RoCE) - Synergies from acquisitions
Dalco	8x	- Set slightly below the acquisition multiple - automotive-heavy in a matured market trading below AMD
Others (Envisol, Telecom)	4x	Small, low-growth business with steady margins

Source: Emkay Research

- Collectively, we arrive at an EV of ~Rs202bn. Adjusting for net debt and non-core investments, we derive a target market cap of ~Rs181bn. We initiate coverage on Arvind with 'BUY' and an SoTP-based TP of Rs700, implying ~42% upside.

Exhibit 189: Core-EBITDA schedule

Particulars	EBITDA incl other income (FY28E)	Other income (Pari-Pasu)	Core-EBITDA FY28E (Rs mn)
Textiles	9,496	324	9,172
AMD (Domestic)	4,358	149	4,209
AMD (Dalco)	1,823	62	1,761
Others	810	28	783
Total	16,488	563	15,924

Source: Company, Emkay Research

Exhibit 190: Non-core investment schedule

Particulars	Fair value (FY25)	Liquidity discount (%)	Net value
Land Parcels	2,137	40	1,282
Equity in Shiprocket	1,046		1,046
Total			2,328

Source: Company, Emkay Research

Exhibit 191: Valuation summary

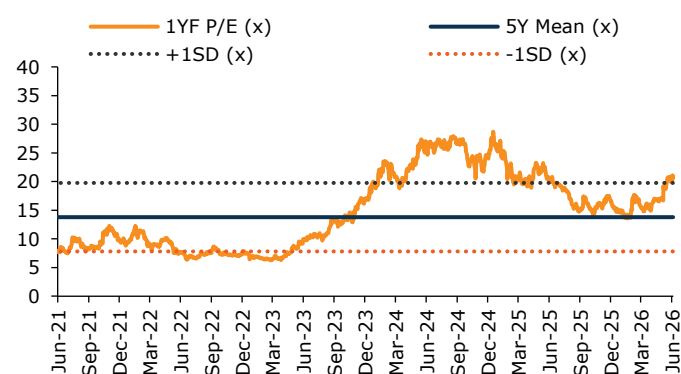
Division	EV/EBITDA multiple (x)	EBITDA FY28E (Rs mn)	EV (Rs mn)
Textiles	11.0	9,172	100,890
AMD	20.0	4,209	84,182
Dalco (USA)	8.0	1,761	14,086
Others (Envisol, Telecom etc)	4.0	783	3,130
Total EV			202,289
Net debt (FY27E)			24,100
Non-core investments			2,328
Land parcels (applied 40% liquidity discount)*			1,282
Equity value in Shiprocket*			1,046
M-Cap (Rs mn)			180,518
No of shares (mn shares)			262
Target price (Rs)			700

Source: Company, Emkay Research; Note: *Value as on FY25-end

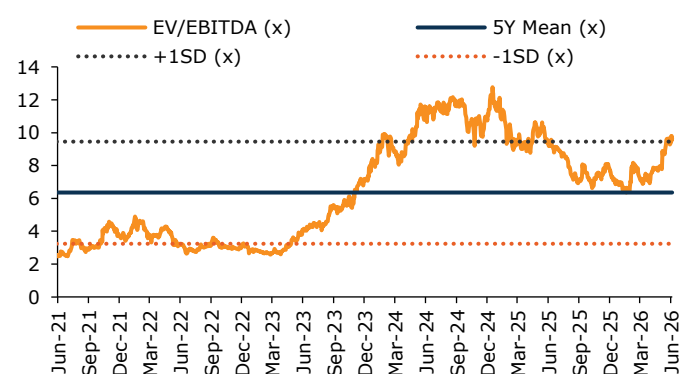
Exhibit 192: Emkay vs consensus

(Rs mn)	FY27E			FY28E		
	Emkay	Consensus	Var (%)	Emkay	Consensus	Var (%)
Revenue	113,038	111,691	1.2	124,966	124,933	0.0
EBITDA	13,450	12,821	4.9	15,924	15,048	5.8
PAT	5,967	5,874	1.6	7,387	7,121	3.7

Source: Bloomberg, Emkay Research

Exhibit 193: Arvind trades near +1SD on 1YF P/E basis...

Source: Company, Bloomberg, Emkay Research

Exhibit 194: ... and similarly on EV/EBITDA

Source: Company, Bloomberg, Emkay Research

Key risks

- **Raw material and currency volatility:** Profitability remains sensitive to raw cotton price swings (which carry a two-to-three-month pass-through lag) and to INR/USD movements affecting export realizations.
- **Demand cycles and inventory corrections at global brands:** Tepid consumer demand in the US/EU or inventory destocking cycles at large clients could lead to order deferrals, lumpy revenue, and periodic underutilization across fabric and garmenting capacities.
- **Tariff and geopolitical uncertainty in key export markets:** With ~30-35% of textile revenue and ~30% of AMD revenue exposed to the US (directly and indirectly), any further adverse changes in US trade policy, or escalation of geopolitical tensions affecting shipping lanes and working capital cycles, could pressure realizations and order flows.

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

About the company

Arvind Ltd is a diversified, vertically integrated global supplier that has transformed from a 100-year-old textile powerhouse into a high-tech player in technical materials and apparel. The business operates through two primary segments: a Textile and Garmenting division and a specialized Advanced Materials Division (AMD). Its current industrial capacity is ~140mn mpa in woven fabrics, 60mn mpa in denim, and an installed garmenting capacity of ~55mn pieces per annum. Beyond clothing, Arvind's AMD segment provides mission-critical solutions such as fire-retardant gear for human protection, structural composites for mass transportation such as the Vande Bharat train program, and high-performance industrial filtration systems. The group also maintains a robust domestic B2C retail presence with over 165 "Arvind Stores" and a market-leading industrial water treatment venture (Arvind Envisol).

Exhibit 195: Arvind at a glance

Particulars	Textiles	Advanced Materials	Other business
Product offerings	Jeans, shirts, knits, innerwear/activewears, voiles	Specialty apparel, structural composites for mass transit, and engineered industrial filters	Zero liquid discharge (ZLD) plants, radio trunking services, and over-the-counter retail fabrics
Sub-segments	- Woven fabrics - Denims - Garments - Others (voile fabrics)	- Human protection (fire retardant/defense) - Industrial incl Dalco (filtration/belting) - Composites (transport/sports)	- Water Solutions (Envisol) - Telecom Solutions (Arya Omnitalk) - Arvind Retail (B2C)
Asset turnover	1.0x – 1.5x for fabric; 2.5x – 3.0x for garments	3.0x or higher	Project-based (water) or fixed-asset liquidation (land) means turns fluctuate by quarter
EBITDA Margins	Textiles: ~10–12% - Woven and Denim: early to mid-teens - Garmenting is currently mid-single digit, management is targeting low double-digits	- AMD (India operations): ~14-15.5% - Dalco: ~17%	Variable by project; Envisol focused on steady, profitable service/components
RoCE Profile	12-17%; aiming for 20% through backward integration	>25%	Project-specific for water solutions; Higher IRR for B2C

Source: Company, Emkay Research

Arvind's top 10 customers include:

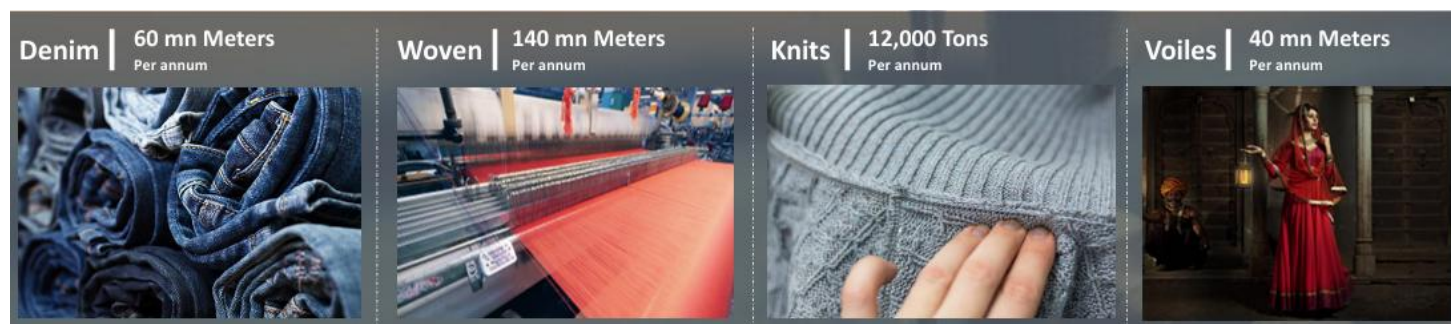
GAP
Levi's
H&M
Reliance Retail
Carhartt
Page Industries
Marks and Spencer
J. Crews
KOHL's
PVH

Exhibit 196: Arvind's global presence

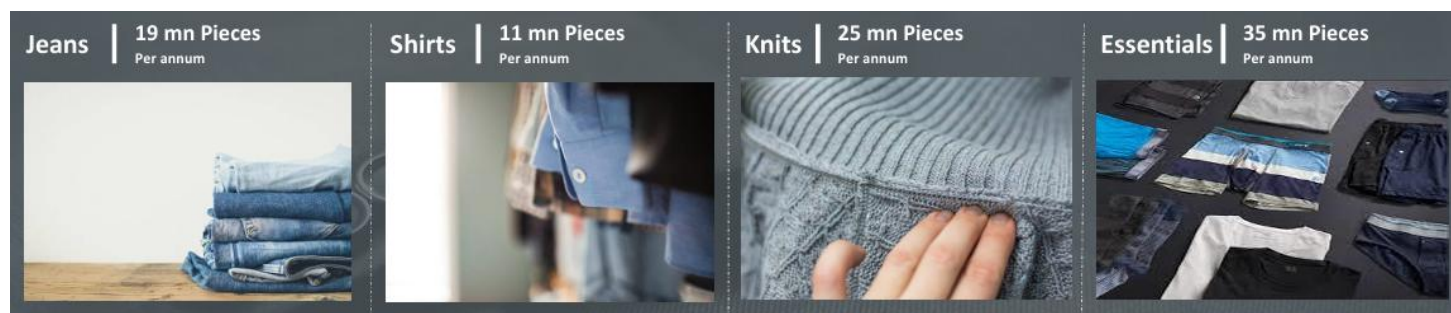


Source: Company, Emkay Research

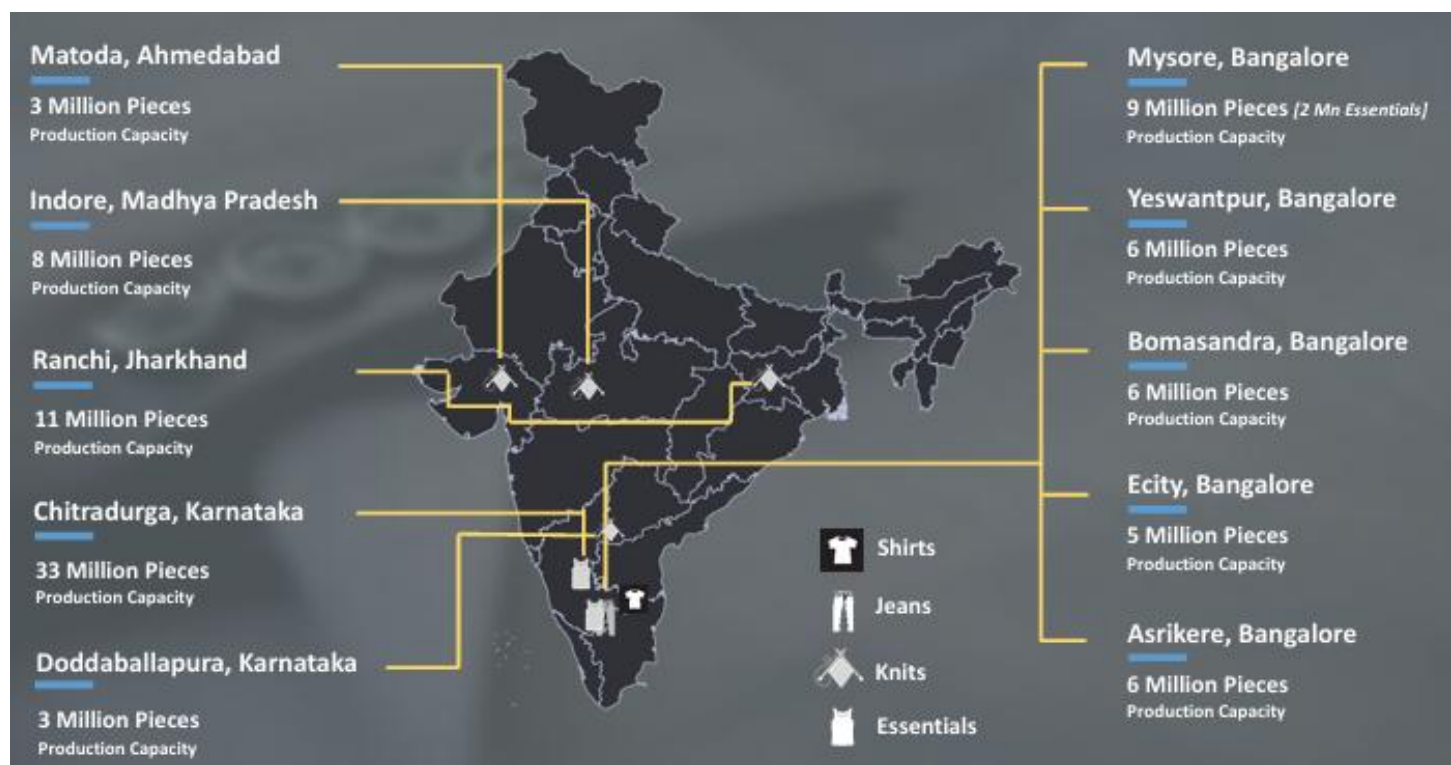
This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Exhibit 197: Arvind's fabric portfolio and capacities

Source: Company, Emkay Research

Exhibit 198: Arvind's garment portfolio and capacities

Source: Company, Emkay Research

Exhibit 199: Arvind's garmenting facilities

Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Exhibit 200: Management profile

Name	Designation	Background
Sanjay S Lalbhai	Chairman	He provides long-term strategic direction to the Arvind Group, guiding its evolution from a textile leader into a diversified business across apparel, real estate, engineering, and advanced materials, with a focus on resilience and institution building.
Punit S Lalbhai	Vice Chairman	He leads the Group’s industrial and sustainability-focused businesses, including textiles, engineering, and advanced materials, and has driven the rapid growth of Arvind Advanced Materials in global high-performance segments.
Kulin S Lalbhai	Vice Chairman	He heads consumer-facing and digital businesses, scaling Arvind Fashions into a leading brand platform, advancing omnichannel capabilities, and driving growth in real estate and new technology ventures.
Jayesh Shah	Whole-time Director and Group CFO	He oversees finance, strategy, and governance across the Group, bringing deep institutional experience while leading capital planning, compliance, and investor engagement.
Nigam Shah	Executive Director	He leads the Group’s financial strategy, governance, and institutional initiatives. With over two decades of experience across infrastructure, manufacturing, and financial services, he drives long-term value creation across Arvind’s businesses.

Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Arvind: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (mn)	FY24	FY25	FY26	FY27E	FY28E
Revenue	77,378	83,288	93,032	113,038	124,966
Revenue growth (%)	(7.7)	7.6	11.7	21.5	10.6
EBITDA	8,452	8,534	10,044	13,450	15,924
EBITDA growth (%)	5.7	1.0	17.7	33.9	18.4
Depreciation & Amortization	2,658	2,587	2,903	3,192	3,426
EBIT	5,794	5,947	7,141	10,259	12,499
EBIT growth (%)	5.9	2.6	20.1	43.7	21.8
Other operating income	-	-	-	-	-
Other income	408	652	563	563	563
Financial expense	1,593	1,658	1,649	2,162	2,440
PBT	4,609	4,941	6,056	8,660	10,622
Extraordinary items	25	0	(173)	0	0
Taxes	1,107	1,255	1,681	2,165	2,656
Minority interest	(160)	(139)	(130)	(596)	(647)
Income from JV/Associates	(1)	(12)	68	68	68
Reported PAT	3,366	3,535	4,139	5,967	7,387
PAT growth (%)	(16.8)	5.0	17.1	44.1	23.8
Adjusted PAT	3,342	3,535	4,312	5,967	7,387
Diluted EPS (Rs)	12.8	13.5	16.5	22.8	28.2
Diluted EPS growth (%)	(4.4)	5.7	21.8	38.4	23.8
DPS (Rs)	5.9	5.0	5.0	4.5	4.1
Dividend payout (%)	45.8	36.8	31.6	19.8	14.5
EBITDA margin (%)	10.9	10.2	10.8	11.9	12.7
EBIT margin (%)	7.5	7.1	7.7	9.1	10.0
Effective tax rate (%)	24.0	25.4	27.8	25.0	25.0
NOPLAT (pre-IndAS)	4,403	4,437	5,159	7,694	9,374
Shares outstanding (mn)	262	262	262	262	262

Source: Company, Emkay Research

Cash flows					
Y/E Mar (mn)	FY24	FY25	FY26	FY27E	FY28E
PBT (ex-other income)	3,526	3,674	4,270	8,727	10,690
Others (non-cash items)	-	-	-	-	-
Taxes paid	(1,339)	(973)	(1,580)	(2,165)	(2,656)
Change in NWC	(945)	(508)	191	(6,868)	393
Operating cash flow	6,964	7,629	8,671	5,048	14,292
Capital expenditure	(2,530)	(4,829)	(4,859)	(5,000)	(4,750)
Acquisition of business	-	-	-	-	-
Interest & dividend income	-	-	-	-	-
Investing cash flow	(2,769)	(5,035)	(6,069)	(13,948)	(4,750)
Equity raised/(repaid)	2	21	74	0	0
Debt raised/(repaid)	(1,141)	57	425	10,340	(4,750)
Payment of lease liabilities	-	-	-	-	-
Interest paid	(1,508)	(1,487)	(1,470)	(2,162)	(2,440)
Dividend paid (incl tax)	(1,542)	(1,300)	(1,309)	(1,180)	(1,074)
Others	0	0	0	848	0
Financing cash flow	(4,189)	(2,709)	(2,280)	7,847	(8,264)
Net chg in Cash	6	(116)	322	(1,053)	1,278
OCF	6,964	7,629	8,671	5,048	14,292
Adj. OCF (w/o NWC chg.)	7,909	8,137	8,479	11,916	13,899
FCFF	4,434	2,800	3,812	48	9,542
FCFE	2,841	1,142	2,164	(2,114)	7,102
OCF/EBITDA (%)	82.4	89.4	86.3	37.5	89.7
FCFE/PAT (%)	84.4	32.3	52.3	(35.4)	96.1
FCFF/NOPLAT (%)	100.7	63.1	73.9	0.6	101.8

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (mn)	FY24	FY25	FY26	FY27E	FY28E
Share capital	2,616	2,618	2,621	2,621	2,621
Reserves & Surplus	32,811	35,243	37,821	42,608	48,921
Net worth	35,428	37,861	40,442	45,229	51,542
Minority interests	780	853	973	2,417	3,064
Non-current liab. & prov.	528	582	713	713	713
Total debt	14,480	15,622	16,595	26,935	22,185
Total liabilities & equity	52,015	56,049	60,758	77,329	79,540
Net tangible fixed assets	31,107	32,728	36,604	37,794	39,318
Net intangible assets	156	144	144	144	144
Net ROU assets	987	1,596	1,886	1,886	1,886
Capital WIP	1,173	4,091	1,213	4,000	3,800
Goodwill	90	79	79	6,858	6,858
Investments [JV/Associates]	3,475	2,727	1,589	1,589	1,589
Cash & equivalents	829	1,175	3,889	2,835	4,114
Current assets (ex-cash)	34,266	37,015	41,142	49,875	49,477
Current Liab. & Prov.	20,436	24,273	27,342	31,585	31,580
NWC (ex-cash)	13,831	12,742	13,800	18,290	17,897
Total assets	52,015	56,049	60,758	77,329	79,540
Net debt	13,651	14,448	12,706	24,100	18,071
Capital employed	52,015	56,049	60,758	77,329	79,540
Invested capital	45,182	45,694	50,690	63,149	64,280
BVPS (Rs)	135.4	144.6	154.3	172.6	196.6
Net Debt/Equity (x)	0.4	0.4	0.3	0.5	0.4
Net Debt/EBITDA (x)	1.6	1.7	1.3	1.8	1.1
Interest coverage (x)	3.9	4.0	4.7	5.0	5.4
RoCE (%)	11.6	11.3	12.7	15.5	16.5

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY24	FY25	FY26	FY27E	FY28E
P/E (x)	38.4	36.6	31.3	21.7	17.5
EV/CE(x)	2.8	2.6	2.4	2.1	1.9
P/B (x)	3.6	3.4	3.2	2.9	2.5
EV/Sales (x)	1.8	1.7	1.5	1.4	1.2
EV/EBITDA (x)	16.9	16.8	14.1	11.4	9.3
EV/EBIT(x)	24.6	24.2	19.9	15.0	11.8
EV/IC (x)	3.2	3.1	2.8	2.4	2.3
FCFF yield (%)	3.1	1.9	2.7	-	6.5
FCFE yield (%)	2.2	0.9	1.7	(1.6)	5.5
Dividend yield (%)	1.2	1.0	1.0	0.9	0.8
DuPont-RoE split					
Net profit margin (%)	4.3	4.2	4.6	5.3	5.9
Total asset turnover (x)	1.5	1.6	1.6	1.7	1.6
Assets/Equity (x)	1.5	1.4	1.4	1.6	1.6
RoE (%)	9.7	9.6	11.0	13.9	15.3
DuPont-RoIC					
NOPLAT margin (%)	5.7	5.3	5.5	6.8	7.5
IC turnover (x)	1.7	1.8	1.9	2.0	2.0
RoIC (%)	9.8	9.8	10.7	13.5	14.7
Operating metrics					
Core NWC days	65.2	55.8	54.1	59.1	52.3
Total NWC days	65.2	55.8	54.1	59.1	52.3
Fixed asset turnover	1.6	1.6	1.7	1.7	1.7
Opex-to-revenue (%)	41.5	42.2	40.9	37.8	37.5

Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarqueresolutions)

We initiate coverage on Nitin Spinners (NSPL) with BUY and a TP of Rs750. NSPL has been a steady compounder, delivering revenue/EBITDA CAGR of 16%/18% over FY10-26, while diversifying its mix from yarn to fabric (from <15% in FY10 to 22% in FY26), driving 3-4pps margin expansion. With average cotton yarn spreads (30 Ne) rebounding sharply from cyclical lows (~Rs102/kg in Q1FY27TD vs ~Rs70 in Q2FY26), an earnings inflection is already underway. Its next downstream-focused phase is expected to expand yarn capacity by 20% and woven & finished fabric capacity by 88% by Q3FY27. The ~Rs11bn brownfield capex (~47% of FY26 gross block) should drive revenue to ~Rs37bn/44bn in FY27E/28E. We model revenue/EBITDA/PAT CAGR of 17%/32%/41% over FY26-28E, with EBITDA margin expanding ~370bps to ~18%. At ~9x Mar-28E PER, valuations remain undemanding for the improving mix and return profile; we value NSPL at 12x Mar-28E PER for a TP of Rs750 (40% upside). Key risks: raw material volatility and FX fluctuations.

'Consistency is key': NSPL has consistently delivered strong growth, clocking 16%/18% revenue/EBITDA CAGR over FY10-26, supported by 12% CAGR in gross block and disciplined capacity additions. The shift toward woven fabric (~17% revenue; ~300-400bps higher margins vs yarn) has helped anchor margins, amid post-Covid yarn volatility, and improved earnings resilience across cycles.

Strengthening the downstream capabilities...: Continuing its traditional capex-led growth strategy, NSPL operates at optimal capacity utilization levels (with yarn above 95% and woven fabric at ~80%). The company aims to raise yarn capacity by 20% to 132ktpa and nearly double fabric capacity to 75mn mtpa by Q3FY27. The ~Rs11bn brownfield capex is expected to drive revenue to ~Rs37bn/44bn in FY27E/28E (vs ~Rs32bn in FY26) as new capacities ramp up and operating leverage kicks in.

...with a sharp eye on margins: The expansion is expected to shift the fabric:yarn mix to at least ~33:67 (vs 22:78 currently), with fabric's ~300-400bps margin premium expected to drive ~150bps of margin expansion from mix alone. NSPL is scaling captive renewables to ~97MW, lifting the renewable share to ~50-55% of power consumption and yielding ~Rs500mn annual savings from FY27E. We estimate EBITDA margin at ~18% by FY28 (up ~370bps vs FY26), implying ~32% EBITDA CAGR over FY26-28E.

A well-diversified export base: NSPL's exports formed ~62% of FY26 revenue, spread across 55+ countries, curbing regional concentration risk. US tariff normalization and UK/EU FTAs are structural positives, aiding volume recovery (especially knitting), higher fabric exports, and medium-term margin expansion.

Favorable cotton-yarn spreads: Yarns form ~74% of NSPL's total revenue, keeping profitability highly sensitive to cotton-yarn spreads. From the ~Rs70/kg Q2FY26 trough, spreads have rebounded to ~Rs102/kg in Q1FY27TD, above the +1SD band, indicating stronger pricing discipline, margin recovery, and sustained earnings.

Target Price – 12M	Mar-28
Change in TP (%)	NA
Current Reco.	BUY
Previous Reco.	NA
Upside/(Downside) (%)	39.9

Stock Data	NSPL IN
52-week High (Rs)	565
52-week Low (Rs)	300
Shares outstanding (mn)	56.2
Market-cap (Rs bn)	30
Market-cap (USD mn)	317
Net-debt, FY27E (Rs mn)	17,440.1
ADTV-3M (mn shares)	0.5
ADTV-3M (Rs mn)	96.1
ADTV-3M (USD mn)	1.0
Free float (%)	43.4
Nifty-50	23,366.7
INR/USD	94.9

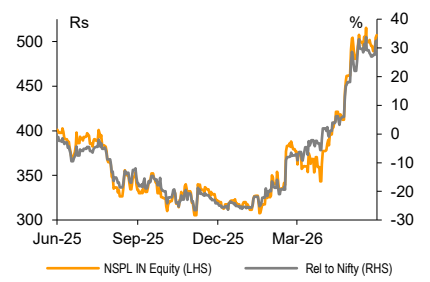
Shareholding, Mar-26

Promoters (%)	56.7
FPIs/MFs (%)	1.1/14.3

Price Performance

(%)	1M	3M	12M
Absolute	6.4	43.2	34.2
Rel. to Nifty	9.4	51.8	42.1

1-Year share price trend (Rs)



Nitin Spinners: Financial Snapshot (Standalone)

Y/E Mar (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Revenue	29,056	33,057	32,139	36,565	44,101
EBITDA	3,771	4,714	4,528	6,210	7,856
Adj. PAT	1,315	1,754	1,775	2,801	3,542
Adj. EPS (Rs)	23.4	31.2	31.6	49.8	63.0
EBITDA margin (%)	13.0	14.3	14.1	17.0	17.8
EBITDA growth (%)	26.9	25.0	(4.0)	37.2	26.5
Adj. EPS growth (%)	(20.2)	33.4	1.2	57.8	26.5
RoE (%)	12.1	14.3	12.8	17.5	18.6
RoIC (%)	9.0	9.3	9.1	11.7	12.5
P/E (x)	22.9	17.2	17.0	10.8	8.5
EV/EBITDA (x)	11.5	8.8	9.1	7.7	5.7
P/B (x)	2.6	2.3	2.0	1.7	1.5
FCFF yield (%)	(6.0)	6.9	2.9	(11.3)	9.7

Source: Company, Emkay Research

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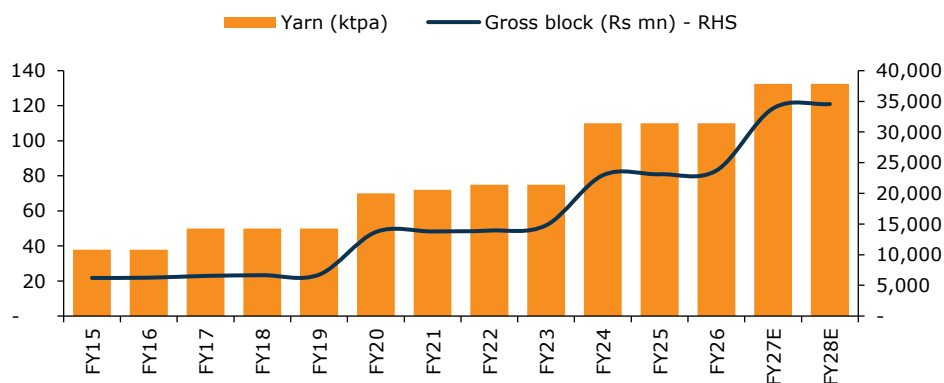
Story in charts

Exhibit 201: Bird's eye view

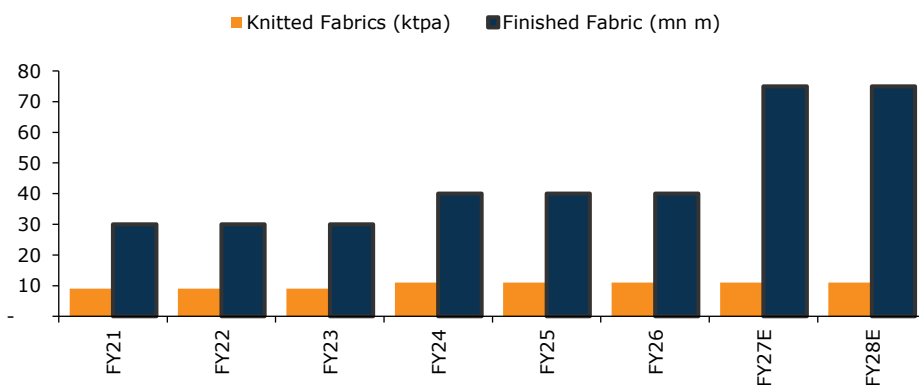
Particulars	Yarn	Knitted, Woven & Finished Fabrics
Product		
Product offerings	Yarn types: Ring spun, compact, carded, combed, open-end and multi-fold yarns (Ne 6–100), including fancy slub, compact slub, core spun, compact core spun, S & Z twist, zero twist (towel), Eli Twist / Siro and Gassed yarns. Materials and sustainability: 100% cotton and poly/cotton blends with organic (GOTS/OCS), BCI/TBC, Supima, Giza, CMIA, regenagri, fair trade, regenerative, recycled and contamination-free cotton options. Packaging: Dyeable soft packages (cheese/cones)	Knitted fabric: Single Jersey, Lycra blends, Piqué, Interlock, Rib, 2-Thread & 3-Thread Fleece. Finished and printed fabric: Cotton, cotton-spandex, poly/cotton and poly/cotton-spandex fabric; RFD, bleached, dyed, printed and yarn-dyed across twills, gabardines, ripstop, canvas, dobby and other weaves, with functional finishes (Teflon, wrinkle-free, water-repellent, antibacterial, nano, bio-polish) and sustainable options (BCI, organic, viscose and rayon).
Product application	Woven apparel, knitted apparel, furnishing fabric, terry towel, medical fabric, denims, tea bags	Knitted fabric: Innerwear, comfort wear, sportswear, winterwear, babywear Finished and printed fabric: Fashion and image wear, uniform, healthcare apparel, hotel apparel, industrial and protective wear, defence wear
Role in value chain	Upstream/midstream textile processing	Downstream, value-added textile manufacturing
Revenue characteristics	Commodity-linked pricing with partial pass-through of cotton prices	Contract-based / order-driven with higher realization per kg/meter
Margin profile (relative)	Low- to mid-teen EBITDA margins; volatile due to raw material price swings	Mid- to high-teen EBITDA margins due to processing, finishing & customization
Key margin drivers	Cotton price spread, yarn count mix, operating efficiency, capacity utilization	Value addition, fabric complexity, finishing intensity, customer mix, export share
Working capital intensity	High (raw cotton and yarn inventory cycles)	Moderate (finished goods, receivables linked to export timelines)
Capex intensity	High but largely maintenance and incremental capacity driven	Higher incremental ROCE due to value-added processing and finishing investments
Key risks	Cotton price volatility, demand cycles, power and labor costs	Fashion cycles, export demand, compliance costs, customer concentration
Revenue in FY26	Rs 23.7bn	Rs 6.8bn
Revenue mix FY26 (%)	77.8%	22.2%
Revenue in FY28E	Rs 28.4bn	Rs 14.0bn
Revenue mix FY28E (%)	66.9%	33.1%
Financial performance		
Key metrics	FY10-26 CAGR	FY26-28E CAGR
Sales volume	Yarn: 9.8% Knitted fabrics, woven and finished fabric: 4.4%	Yarn: 1.0% Knitted fabric: 28.1% Woven and finished fabric: 38.4%
Revenue	Yarn: 14.9% Knitted fabrics, woven and finished fabric: 22.5%	Yarn: 9.4% Knitted fabric: 30.4% Woven and finished fabric: 47.2%
EBITDA	17.5%	31.7%
APAT	41.6%	41.2%
	RoE	RoCE
FY26	12.8%	12.0%
FY27E	17.5%	14.7%
FY28E	18.6%	15.1%

Source: Company, Emkay Research

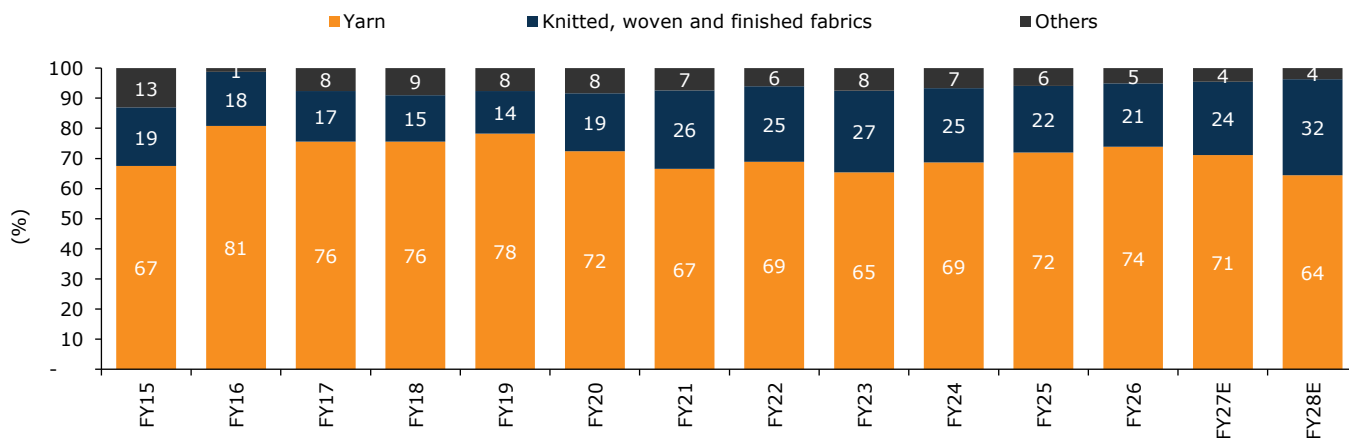
This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Exhibit 202: Yarn capacity and gross block trend

Source: Company, Emkay Research

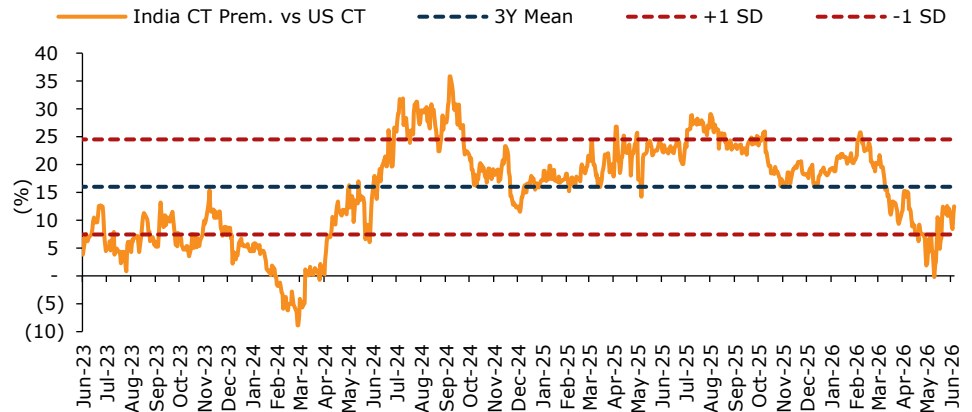
Exhibit 203: Knitted and woven fabric capacity trend

Source: Company, Emkay Research

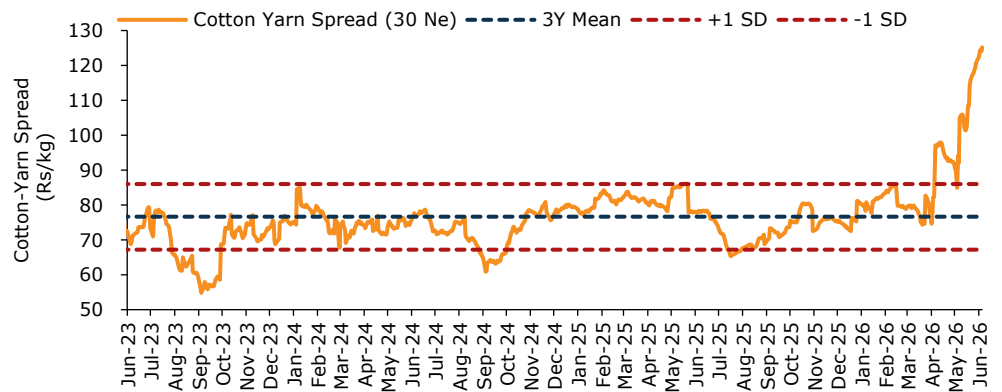
Exhibit 204: Product-wise revenue mix trend

Source: Company, Emkay Research

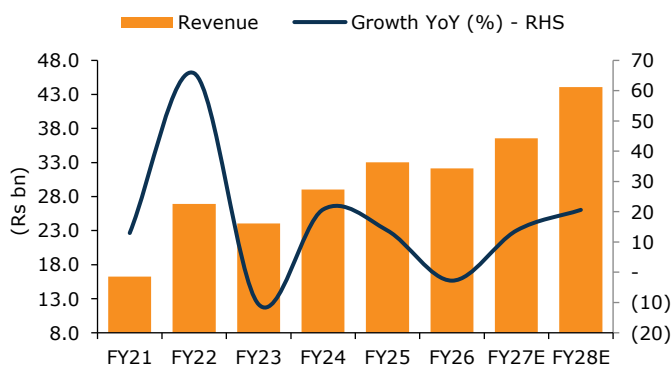
This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Exhibit 205: Following the removal of 11% import duty, premium over international cotton is mere ~5pps

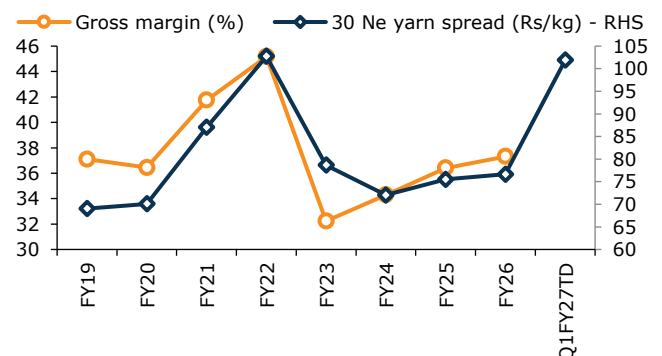
Source: Industry, Bloomberg, Emkay Research

Exhibit 206: After 3 years of weak performance, yarn spreads (30 Ne) are much above +1SD levels

Source: Industry, Bloomberg, Emkay Research

Exhibit 207: Annual revenue growth trend

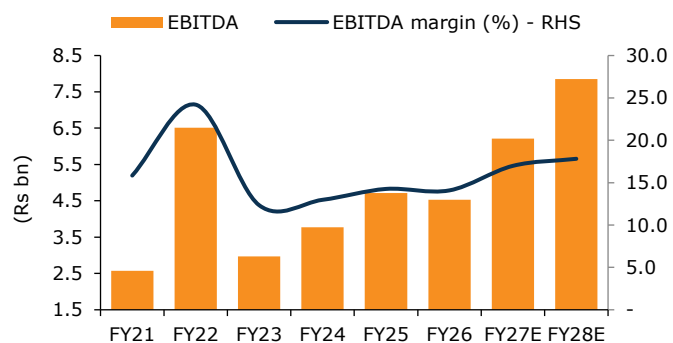
Source: Company, Emkay Research

Exhibit 208: Positive correlation between yarn spreads and NSPL's gross margins

Source: Company, Emkay Research

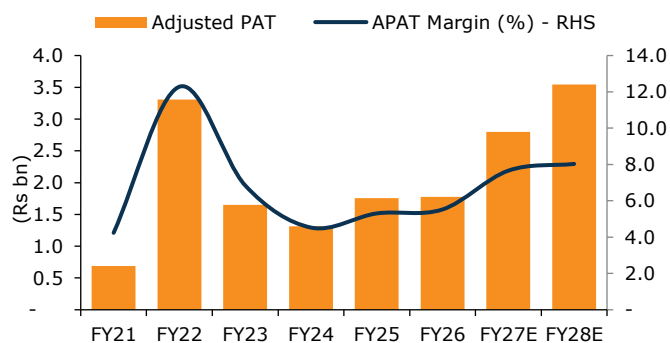
This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

Exhibit 209: Annual EBITDA and margin trends



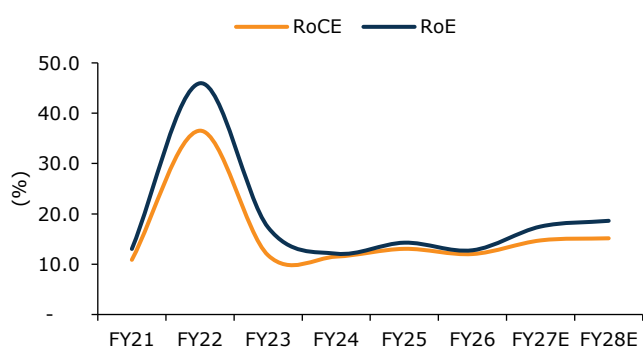
Source: Company, Emkay Research

Exhibit 210: Annual PAT and margin trends



Source: Company, Emkay Research

Exhibit 211: Annual return ratio trends



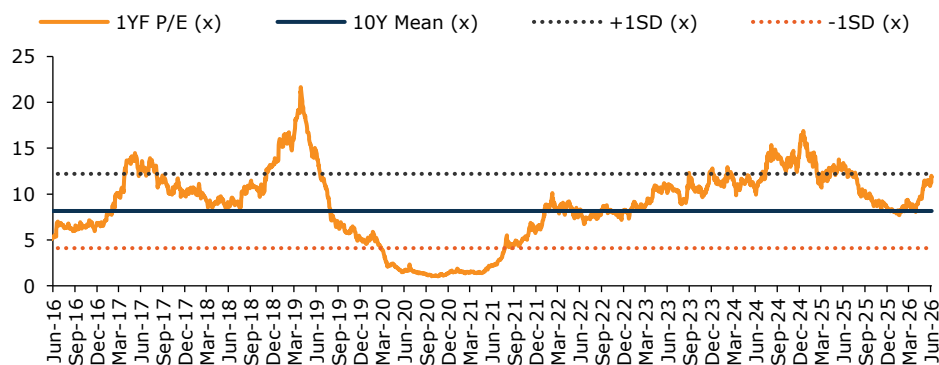
Source: Company, Emkay Research

Exhibit 212: Valuation summary

Units	Valuation	FY28
Rs mn	APAT	3,542
(x)	Target PER	12
Rs mn	Equity value	42,505
mn/sh	No of shares	56
Rs	Target price	750

Source: Company, Emkay Research

Exhibit 213: NSPL currently trades near its long term 1YF +1SD P/E (x)



Source: Company, Bloomberg, Emkay Research

Exhibit 214: Revenue model

Particulars (Rs mn)	FY23	FY24	FY25	FY26	FY27E	FY28E
Capacity						
Yarn (mt)	75,000	110,000	110,000	110,000	132,400	132,400
Utilization (%)	81.8	83.2	97.7	97.9	83.3	95.0
Knitted fabrics (mt)	9,000	11,000	11,000	11,000	11,000	11,000
Utilization (%)	39.1	46.0	54.7	41.8	63.8	67.5
Woven and finished fabrics (mn m)	30	40	40	40	75	75
Utilization (%)	80.4	79.3	79.6	80.7	52.4	84.2
Sales volume						
Yarn (mt)	47,149	73,843	89,769	92,437	88,135	94,386
Growth YoY (%)	(12.2)	56.6	21.6	3.0	(4.7)	7.1
Knitted fabric (mt)	3,687	5,018	6,027	4,524	7,013	7,425
Growth YoY (%)	(53.7)	36.1	20.1	(24.9)	55.0	5.9
Woven and finished fabric (mn m)	28	32	32	34	41	66
Growth YoY (%)	13.9	11.9	0.6	7.8	19.2	60.7
Realization						
Yarn (Rs/kg)	334	270	265	257	295	301
Growth YoY (%)	(3.3)	(19.0)	(1.9)	(3.2)	14.9	2.0
Knitted fabric (Rs/kg)	377	262	291	290	290	300
Growth YoY (%)	2.4	(30.5)	11.1	(0.3)	(0.1)	3.6
Woven and finished fabric (Rs/m)	182	185	174	159	169	180
Growth YoY (%)	17.8	1.6	(5.8)	(8.8)	6.1	6.7
Product-wise revenue						
Yarn	15,726	19,955	23,797	23,732	26,000	28,412
Growth YoY (%)	(15.2)	26.9	19.3	(0.3)	9.6	9.3
Knitted fabric	1,389	1,313	1,751	1,311	2,030	2,228
Growth YoY (%)	(52.6)	(5.4)	33.4	(25.2)	54.9	9.7
Woven and finished fabric	5,148	5,850	5,545	5,454	6,893	11,819
Growth YoY (%)	34.2	13.7	(5.2)	(1.6)	26.4	71.5
Others (incl FX fluctuations)	1,805	1,938	1,963	1,642	1,642	1,642
Growth YoY (%)	11.3	7.4	1.3	(16.4)	-	-
Revenue	24,067	29,056	33,057	32,139	36,565	44,101
Growth YoY (%)	(10.6)	20.7	13.8	(2.8)	13.8	20.6
EBITDA	2,971	3,771	4,714	4,528	6,210	7,856
EBITDA margin (%)	12.3	13.0	14.3	14.1	17.0	17.8
Growth YoY (%)	(54.4)	26.9	25.0	(4.0)	37.2	26.5
EBIT	2,102	2,586	3,237	3,046	4,641	5,872
EBIT margin (%)	8.7	8.9	9.8	9.5	12.7	13.3
Growth YoY (%)	(62.7)	23.0	25.2	(5.9)	52.3	26.5
APAT	1,648	1,315	1,754	1,775	2,801	3,542
APAT margin (%)	6.8	4.5	5.3	5.5	7.7	8.0
Growth YoY (%)	(50.2)	(20.2)	33.4	1.2	57.8	26.5
EPS (Rs)	29.3	23.4	31.2	31.6	49.8	63.0
OCF	1,938	1,635	3,074	4,105	4,145	4,671
As a % of EBITDA	65.2	43.4	65.2	90.7	66.8	59.5
Capex	4,353	4,262	217	2,912	9,500	350
As a % of gross block	30.3	22.6	0.9	12.4	33.0	1.0
FCF	(2,415)	(2,628)	2,857	1,193	(5,355)	4,321
FCF yield (%)	(8.0)	(8.7)	9.5	4.0	(17.8)	14.3
Net debt	9,793	13,387	11,552	10,987	17,440	14,473
Net debt/EBITDA (x)	3.3	3.6	2.5	2.4	2.8	1.8
Inventory days	75	71	67	69	68	68
Receivable days	34	40	47	49	49	49
Payable days	8	9	10	12	10	10
NWC days	100	102	105	107	107	107

Source: Company, Emkay Research

Investment thesis

'Consistency is key'

NSPL has consistently delivered, clocking 16%/18% revenue/EBITDA CAGR over FY10–26, supported by a 12% CAGR in gross block and disciplined capacity additions. The shift toward woven fabric (~17% revenue; ~300–400bps higher margins vs yarn) has anchored margins amid post-Covid yarn volatility and improved earnings resilience across cycles.

Strengthening the downstream capabilities...

Continuing its traditional capex-led growth strategy, with existing capacities already running at optimal utilization (>95% in yarn and ~80% in woven fabric segment), NSPL aims to raise yarn capacity by 20% to 132ktpa and nearly double fabric capacity to 75mn mtpa by Q3FY27. The ~Rs11bn brownfield capex is expected to drive revenue to ~Rs37bn/44bn in FY27E/28E (vs ~Rs32bn in FY26) as new capacities ramp up and operating leverage kicks in.

...with a sharp eye on margins

The expansion is expected to shift the fabric:yarn mix to at least ~33:67 (vs 22:78 currently). Given fabric's ~300-400bps margin premium, this alone is likely to contribute ~150bps of margin expansion. Additionally, NSPL is scaling captive renewables to ~97MW, lifting the renewable share of power consumption to ~50-55% and yielding ~Rs500mn in annual savings from FY27E. We estimate EBITDA margin at ~18% by FY28E (up ~370bps vs FY26), implying ~32% EBITDA CAGR over FY26-28E.

A well-diversified export base

NSPL's exports formed ~62% of FY26 revenue, spread across 55+ countries, curbing regional concentration risk. US tariff normalization and UK/EU FTAs are structural positives, aiding volume recovery (especially in knitting), higher fabric exports, and medium-term margin improvement.

Favorable cotton-yarn spreads

Yarns form ~74% of NSPL's total revenue, keeping profitability highly sensitive to cotton-yarn spreads. From the ~Rs70/kg Q2FY26 trough, spreads have rebounded to ~Rs102/kg in Q1FY27TD, above the +1SD band, indicating stronger pricing discipline, margin recovery and sustained earnings.

Exhibit 215: DuPont analysis

Particulars	FY23	FY24	FY25	FY26	FY27E	FY28E
PAT/PBT (%)	93.7	74.1	74.0	74.4	74.4	74.4
PBT/EBIT (%)	83.7	68.7	73.2	78.4	81.2	81.1
EBIT/Sales (%)	8.7	8.9	9.8	9.5	12.7	13.3
Asset Turnover (x)	1.3	1.2	1.3	1.2	1.1	1.1
Assets/Equity (x)	2.0	2.2	2.1	1.9	2.1	2.1
RoE (%)	17.3	12.1	14.3	12.8	17.5	18.6

Source: Company, Emkay Research

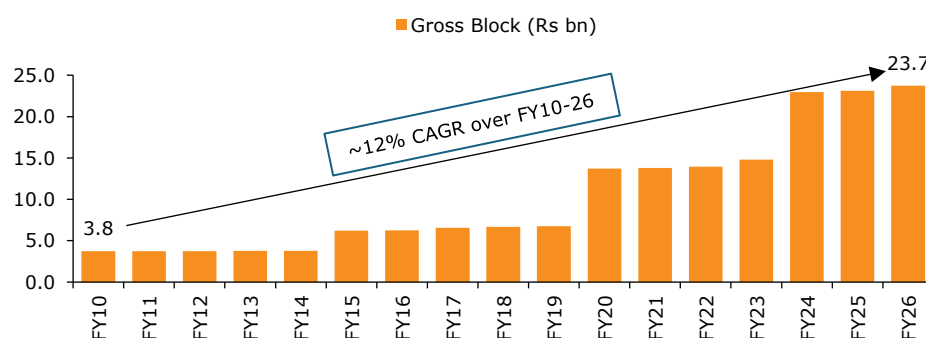
This report is intended for Team White Marque Solutions (team.emkay@whitemarquessolutions)

'Consistency is key'

A compounding story

- NSPL began operations in 1993 as a small open-end spinning unit with an initial investment of ~Rs30mn and 348 rotors. Since then, the company has scaled up significantly, achieving strong growth in capacity, revenue, and profitability.
- Over FY10-26, NSPL has executed phased capacity expansions, resulting in a 12% CAGR in gross block, reflecting sustained capital investment and asset build-up.

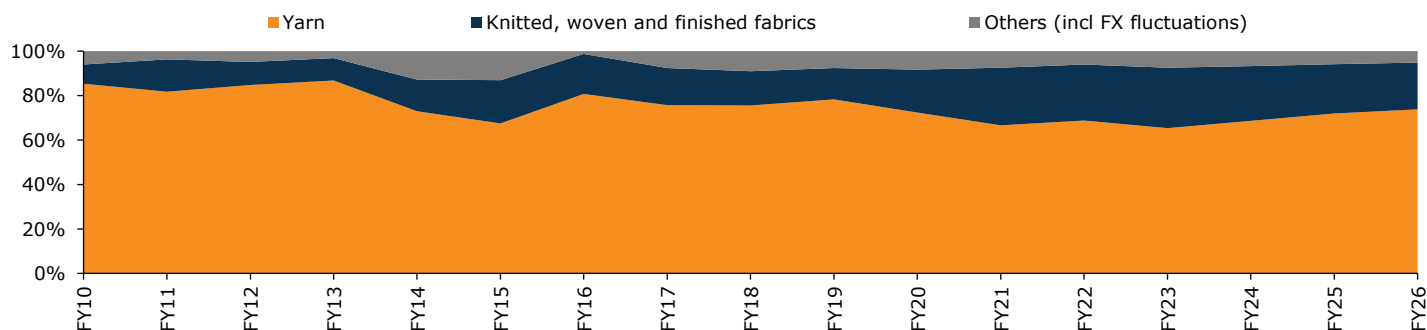
Exhibit 216: NSPL's gross block expansion



Source: Company, Emkay Research

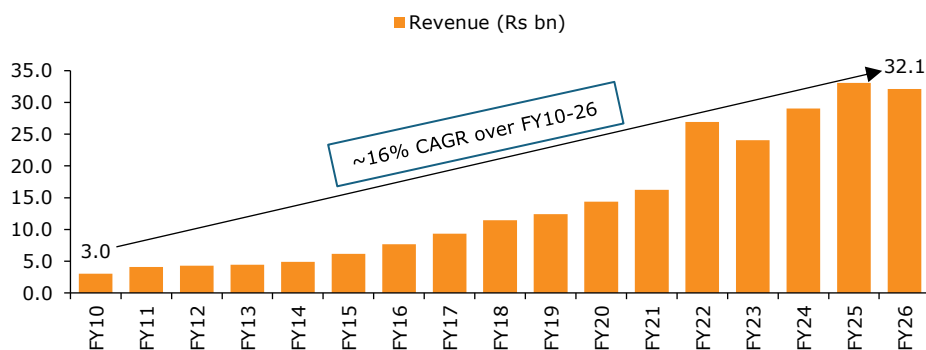
- These focused expansion efforts have transformed NSPL from a pure yarn and greige fabric player into a forward-integrated fabric manufacturer.

Exhibit 217: NSPL's product mix area chart



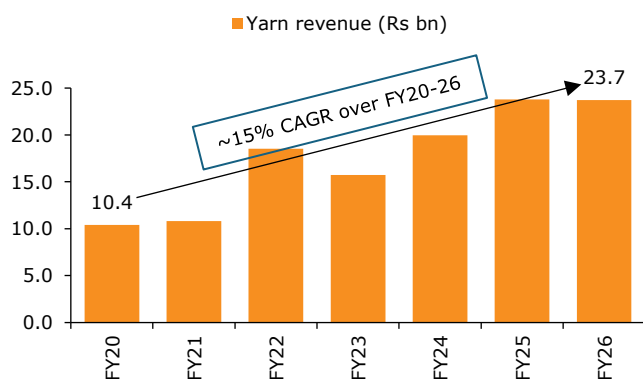
Source: Company, Emkay Research

- As a result, NSPL's revenue delivered a robust ~16% CAGR over FY10–FY26, driven by strong performance across both segments yarn and fabric (knitted, woven, and finished), which recorded ~15% and ~23% CAGRs, respectively.

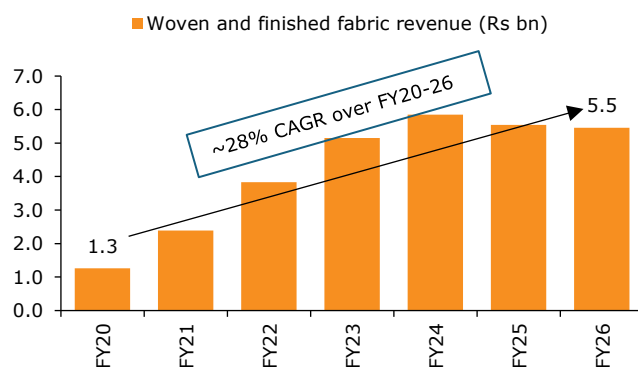
Exhibit 218: Revenue CAGR chart

Source: Company, Emkay Research

- In FY20, NSPL further diversified downstream into woven and finished fabric. By FY26, the woven and finished fabric division had outpaced yarn, growing at a 27.6% CAGR over FY20-26 (vs 14.7% CAGR for yarn).
- Woven and finished fabric revenues have stayed flat over FY24-26, given optimal capacity utilization (~81% average utilization) and weak realizations (-7% CAGR).

Exhibit 219: Yarn revenue growth trend

Source: Company, Emkay Research

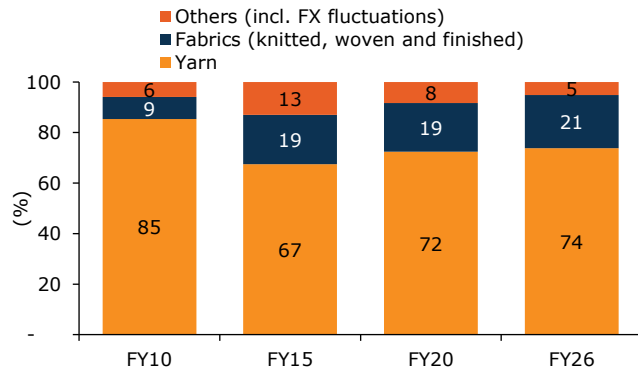
Exhibit 220: Woven and finished fabric revenue growth trend

Source: Company, Emkay Research

Margin expansion driven by integration and product mix shift

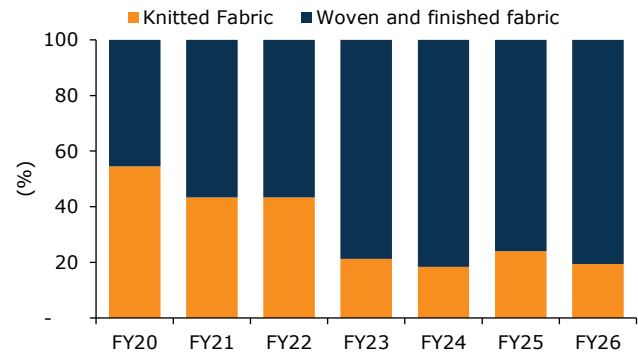
- Nitin's downstream diversification significantly shifted the revenue mix toward fabrics, with fabric contribution reaching ~22% in FY26 (vs ~15% in FY19).
- Within fabrics, woven and finished fabric revenue delivered a robust ~28% CAGR over FY20-26, while knitted fabric revenue de-grew at ~2% CAGR over the same period

Exhibit 221: Revenue mix over FY10-26



Source: Company, Emkay Research

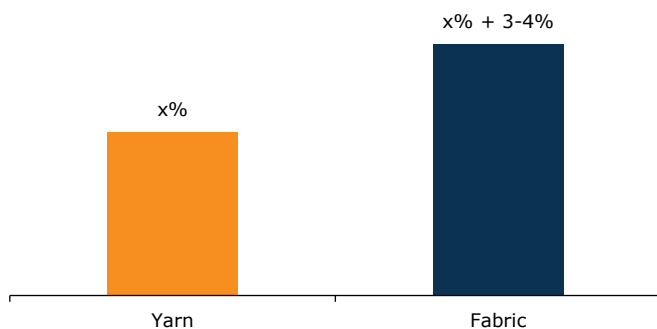
Exhibit 222: Fabric revenue mix over FY20-26



Source: Company, Emkay Research

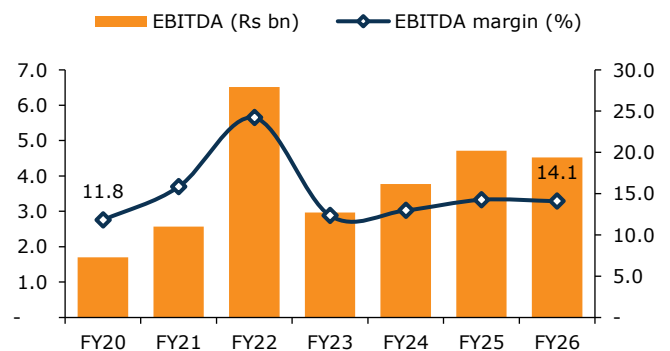
- Additionally, woven and finished fabrics earn ~3-4pps higher margins than yarn, resulting in EBITDA margin expansion of 230bps over FY20-26.

Exhibit 223: Yarn vs fabric margins charts



Source: Company, Emkay Research

Exhibit 224: EBITDA margin trend



Source: Company, Emkay Research

Strengthening the downstream capabilities...

- Over FY10-26, NSPL has transformed from a pure spinning company into an integrated fabric manufacturer. This evolution occurred in four strategic phases of expansion.

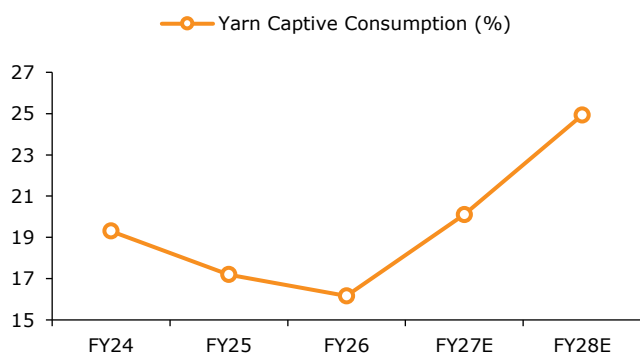
Exhibit 225: Evolution of NSPL

Phase	Period	Strategic objective	Key capex/actions	Capacity outcome	What changed in the business
Phase 1: Quest for scale	FY14–FY17	Build scale to survive global competition and achieve cost efficiency	Aggressive spinning and knitting expansion over 3 years	- Spindles: 223,056 - Rotors: 2,936 - Knitting machines: 63 - Yarn capacity: ~50 ktpa - Knitting capacity: ~9 ktpa	NSPL moved from a small spinner to a scaled yarn manufacturer with better economies of scale and lower unit costs
Phase 2: Forward integration	FY17–FY21	Move up the value chain from yarn to finished fabric	- Rs6.8bn Integrated Textile Unit at Bhanwaria Kalan - Entry into woven greige, processing, and finishing	- Spindles: 300,048 - Rotors: 3,488 - Knitting machines: 63 - Weaving looms: 168 - Yarn capacity: ~72 ktpa - Knitting capacity: ~9 ktpa - Woven fabric: 30 mn mpa	NSPL transformed from a yarn seller into an integrated yarn + fabric supplier, reducing dependence on commodity yarn cycles
Phase 3: Value chain consolidation	FY21–FY25	Sweat integrated assets and deepen presence across the textile value chain	- Leveraged integration during Covid - Benefited from China+1 sourcing - Rs9.6bn expansion across spinning and downstream	- Spindles: 434,832 - Rotors: 5,864 - Knitting machines: 77 - Weaving looms: 222 - Yarn capacity: ~110 ktpa - Knitting capacity: 11 ktpa - Woven fabric: 40 mn mpa	Integration began delivering volume leverage, margin resilience, and export-led growth, even in volatile conditions
Phase 4: Integrated expansion	FY25–FY27E	Enhance value addition, improve mix, and strengthen competitiveness	~Rs11bn new investment cycle - Focus on premium and specialized products	- Spindles: ~501k - Rotors: 5,864 - Knitting machines: 77 - Weaving looms: 462 - Yarn capacity: ~132 ktpa - Knitting capacity: 11 ktpa - Woven fabric: 75 mn mpa	NSPL aims to transition from scale-led growth to mix-led, value-added growth with higher quality and margin stability

Source: Company, Emkay Research

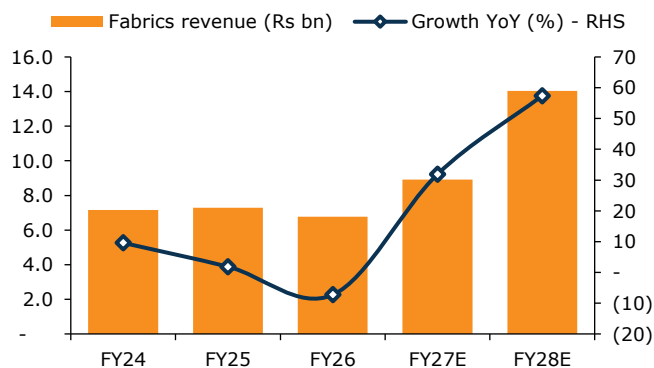
- We expect phase 4 of the expansion to drive ~44% fabric (knitted, woven, and finished) revenue growth over FY26-28E, with captive yarn consumption rising to ~25% by FY28E (FY26: 16%).

Exhibit 226: Captive yarn consumption trend



Source: Company, Emkay Research

Exhibit 227: Fabric revenue growth trend



Source: Company, Emkay Research

...with a sharp eye on margins

- The ongoing capex is expected to tilt the mix toward higher-margin fabric, lifting fabric:yarn to ~33:67 (vs 22:78 currently), which should be structurally margin-accretive for NSPL.
- Additionally, the company is scaling captive renewables to ~97MW, increasing the renewable share of power use to ~50-55% and yielding ~Rs500mn annual savings from FY27E.

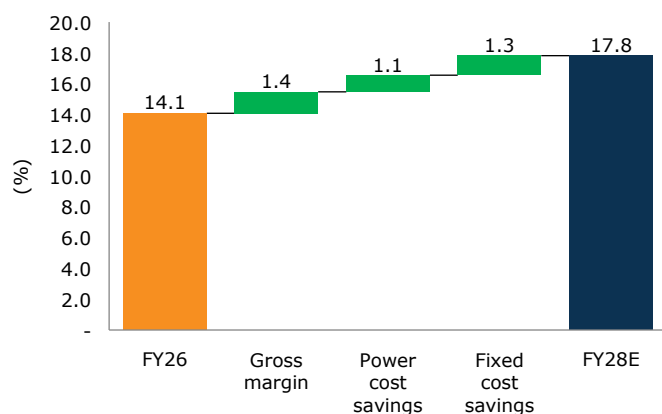
Exhibit 228: Cost saving initiatives

	Capacity (MW)	Unit of Power (in Cr.)	Operational Timeline	
Solar Power				69.1 MW (Solar Power)
Existing Running Capacity	18.8	3.0	Fully Operational	
Ongoing Capex (Spinning/Weaving Expansion)				
Installed within Premises (Bhilwara Unit)	4.6	0.9	Fully Operational	+
To be Installed within Premises (Chittorgarh Unit)	4.6	0.9	Q3FY27	
Capex of ~230 Crs.* Announced in Q3FY26				
Captive Solar Plant Under Open Access	33.0	7.5	Q2FY27	28 MW (Hybrid Power)
Captive Solar Plant Within Premises (Chittorgarh Unit)	8.1	1.6	Q2FY27	
Hybrid Power				
Power Purchase Agreement (Bhilwara & Chittorgarh Unit)	18.0	8.1	(Partial Supply Begin)	=
Capex of ~9.5 Crs.* Announced in Q4FY26				
Power Purchase Agreement (Chittorgarh Unit)	10.0	4.5	Q3FY27	
Total	97.1	26.5		~50-55% of the total annual power consumption

Source: Company, Emkay Research

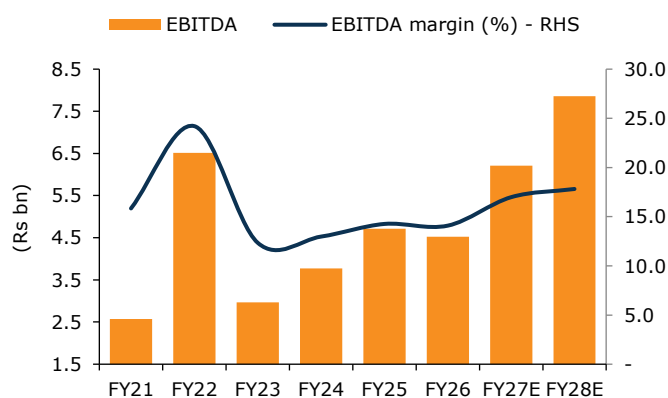
- The combined impact of downstream mix improvement and power cost saving is expected to drive ~370bps EBITDA margin expansion over FY26-28E, with EBITDA compounding at ~32% CAGR.

Exhibit 229: EBITDA margin bridge over FY26-28E



Source: Company, Emkay Research

Exhibit 230: EBITDA and EBITDA margin trends



Source: Company, Emkay Research

A well-diversified export base

- Over three decades, NSPL has restructured its export mix (~62% in FY26 vs >75% prior FY08) to serve 55+ countries, insulating itself from tariffs and regional issues.

Exhibit 231: NSPL's geographical mix evolution

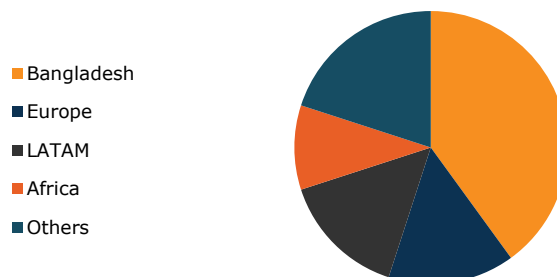
Period	Strategy	Export mix
FY03-07	Started as a 100% export-only unit, it builds credibility, volumes, and scale in the post-MFA window	>75%
FY08-10	GFC + sharp INR appreciation exposed export-only risk; NSPL took a structural shift toward domestic markets	65-70%
FY11-20	The company focused on utilization and margins across cycles rather than peak export ratios	55-70%
FY21-26	Expanded across six continents; emphasis shifts from few large markets to geographic diversification	55-73% (FY26: 62%)

Source: Company, Emkay Research

- In FY25, NSPL's export revenue had a higher concentration in Bangladesh, with the remainder diversified across Europe, LATAM, Africa, and other markets.

Exhibit 232: Export revenue mix in FY25

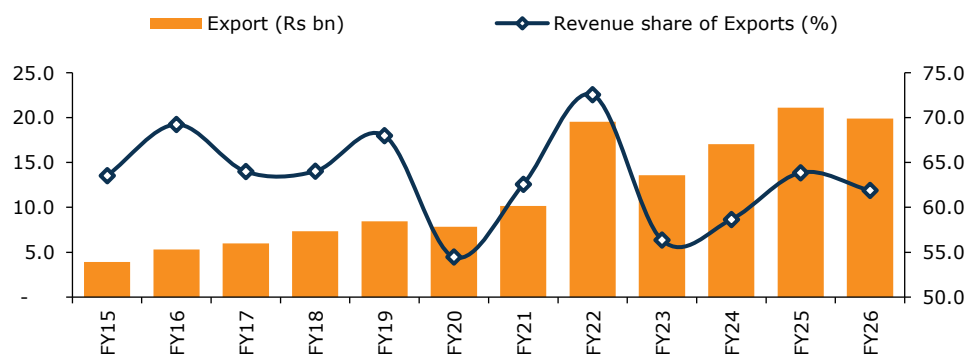
FY25 export revenue geographical mix



Source: Company, Emkay Research

- Over FY15-26, export revenue delivered ~17% CAGR, reaching a record high of Rs21.1bn in FY25 (FY15: Rs3.9bn), with FY22 marking the peak export share of 72.5%.

Exhibit 233: NSPL's export revenue share



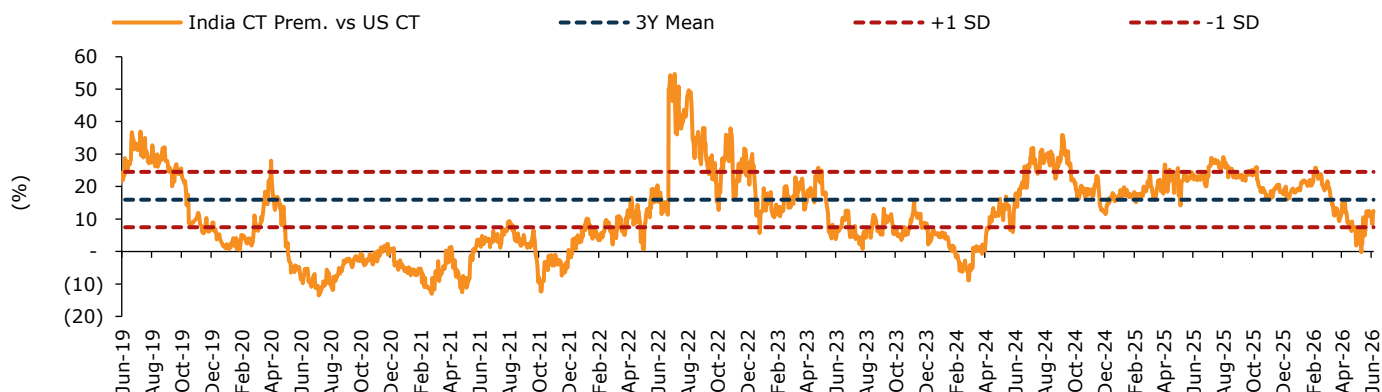
Source: Company, Emkay Research

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Favorable cotton-yarn spreads

- The Indian cotton premium over US cotton is mere ~5pps (including the logistic and insurance cost).

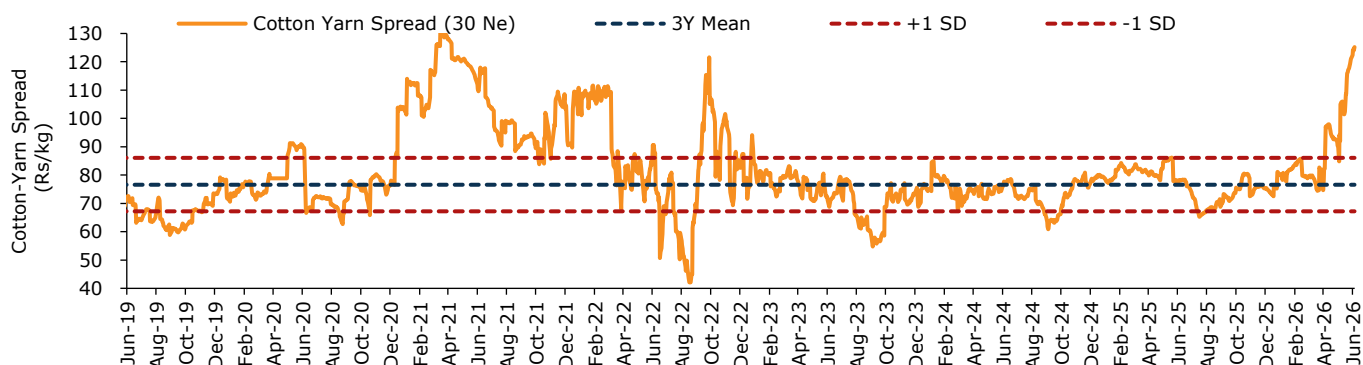
Exhibit 234: Following the removal of 11% import duty, premium over international cotton is mere ~5pps



Source: Industry, Bloomberg, Emkay Research

- This augurs well for domestic spinners like NSPL as it boosts the marketability of cotton yarn.
- Spreads have also shown the buoyancy as they reached ~Rs102/kg in Q1FY27TD vs the lows of Rs70/kg in Q2FY26. The spot spreads are at Rs125/kg.

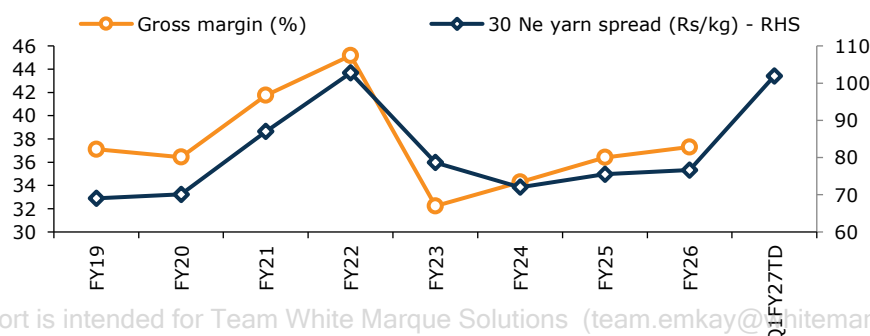
Exhibit 235: After 3 years of weak performance, yarn spreads (30 Ne) are much above +1SD levels



Source: Industry, Bloomberg, Emkay Research

- As shown in Exhibit 36, NSPL's gross margins exhibit a positive correlation with Ne 30 spreads.
- Hence, we see a high probability of gross margin expansion, given the sustenance of current spreads.

Exhibit 236: Positive correlation between yarn spreads and NSPL's gross margins



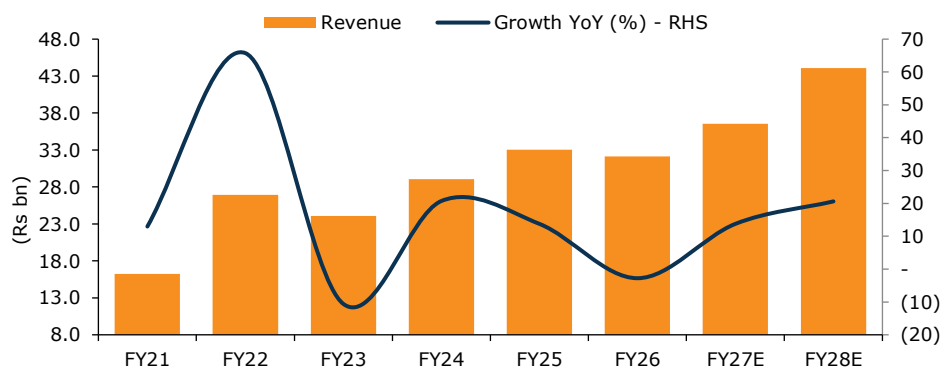
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Source: Industry, Emkay Research

Financial analysis

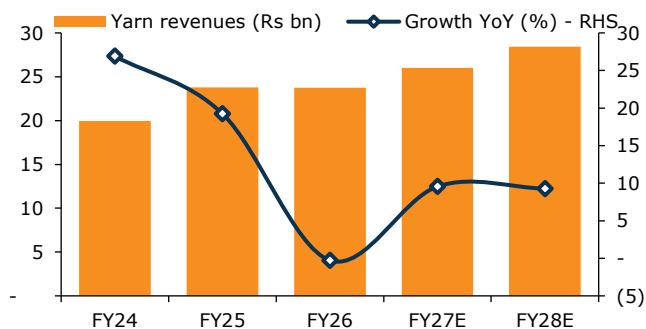
- We expect NSPL to deliver ~17% revenue CAGR over FY26-28E to Rs44.1bn, led by fabrics, as new capacities commercialize from H2FY27E. Fabric revenue is expected to compound at ~44% over FY26-28E, while yarn revenue is expected to record a steadier ~9% CAGR, supported by near-flat volumes and strong realization recovery amid improving spreads.

Exhibit 237: NSPL's revenue trend



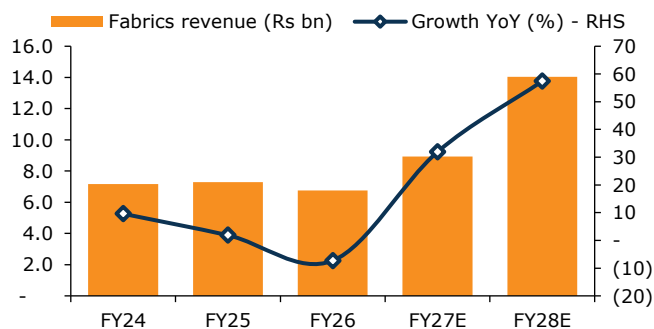
Source: Company, Emkay Research

Exhibit 238: Yarn volume trend



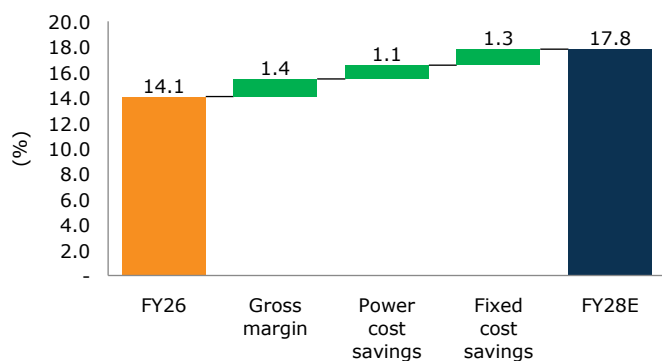
Source: Company, Emkay Research

Exhibit 239: Fabrics volume trend

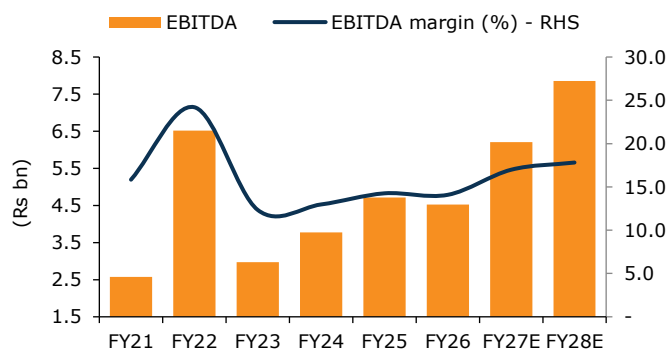


Source: Company, Emkay Research

- We project ~32% EBITDA CAGR over FY26-28E to ~Rs8bn, with ~370bps margin expansion to ~18%, led by (1) the richer ~33:67 fabric:yarn mix, (2) spread recovery (~Rs125/kg vs ~Rs80/kg in Q4FY26) lifting gross margin ~140bps to ~39% in FY28E, and (3) ~Rs500mnpa power savings, as renewable share scales to ~50-55%.

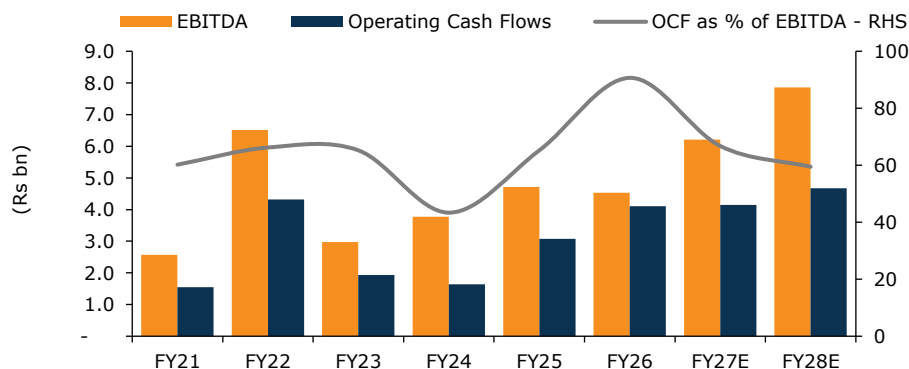
Exhibit 240: EBITDA margin bridge over FY26-28E

Source: Company, Emkay Research

Exhibit 241: EBITDA and EBITDA margin trend

Source: Company, Emkay Research

- OCF conversion has averaged ~60-65% of EBITDA across cycles; we expect ~60-70% over FY27E-28E (FY26: ~91% on favorable WC), with NWC days steady at ~107.

Exhibit 242: EBITDA and OCF trends

Source: Company, Emkay Research

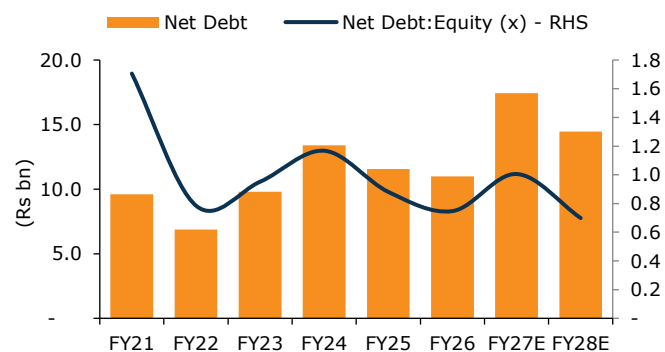
Exhibit 243: Cash conversion cycle

Cash conversion cycle (days)	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Inventory days	80	55	75	71	67	69	68	68
Receivable days	37	33	34	40	47	49	49	49
Payable days	12	11	8	9	10	12	10	10
NWC days	105	77	100	102	105	107	107	107

Source: Company, Emkay Research

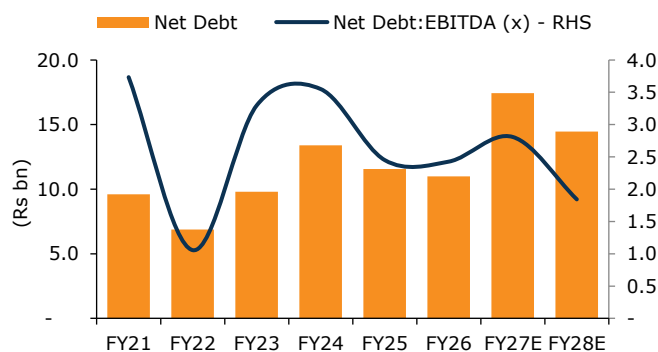
- We expect leverage to rise temporarily to fund the ~Rs11bn capex, with FY27E FCF turning negative (Rs5.4bn) on account of incremental debt of Rs8.5bn, taking net debt/EBITDA to 2.8x in FY27E vs 2.4x in FY26.
- However, as the new capacities ramp up, we expect FCF to recover to Rs4.3bn in FY28E, driving deleveraging back to 1.8x net debt/EBITDA in FY28E.

Exhibit 244: Net debt:equity trend



Source: Company, Emkay Research

Exhibit 245: Net debt:EBITDA trend



Source: Company, Emkay Research

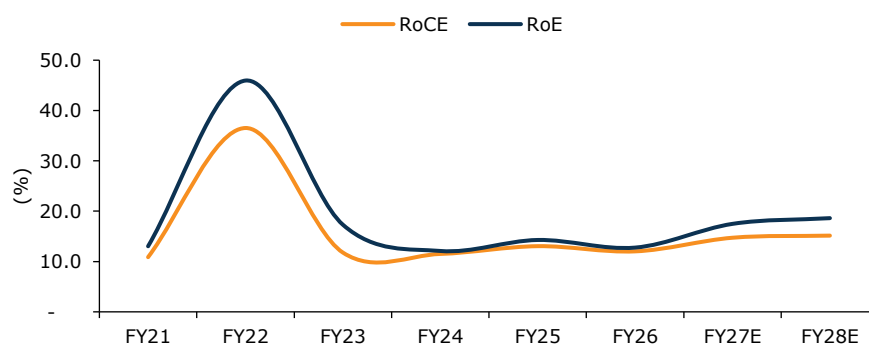
- We expect RoE to improve ~590bps to 18.6% by FY28E, driven primarily by EBIT margin recovery (9.5% to 13.3%) rather than balance-sheet expansion, as asset turns moderate to 1.1x through the capex phase.

Exhibit 246: DuPont analysis

Particulars	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
PAT/PBT (%)	64.7	64.4	93.7	74.1	74.0	74.4	74.4	74.4
PBT/EBIT (%)	64.1	89.7	83.7	68.7	73.2	78.4	81.2	81.1
EBIT/sales (%)	10.2	21.0	8.7	8.9	9.8	9.5	12.7	13.3
Asset turnover (x)	1.0	1.6	1.3	1.2	1.3	1.2	1.1	1.1
Assets/equity (x)	3.0	2.3	2.0	2.2	2.1	1.9	2.1	2.1
RoE (%)	13.0	45.3	17.3	12.1	14.3	12.8	17.5	18.6

Source: Company, Emkay Research

Exhibit 247: Return ratio trends



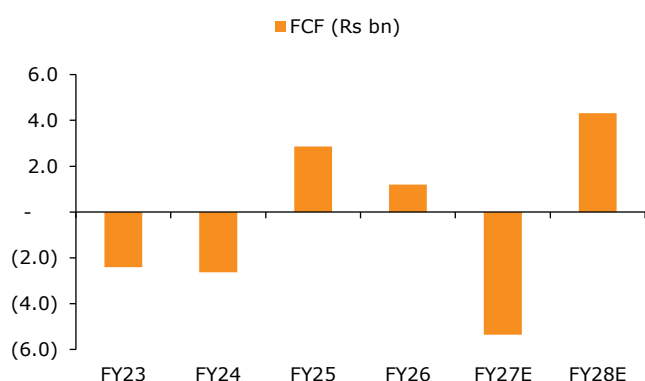
Source: Company, Emkay Research

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

Cash flow analysis

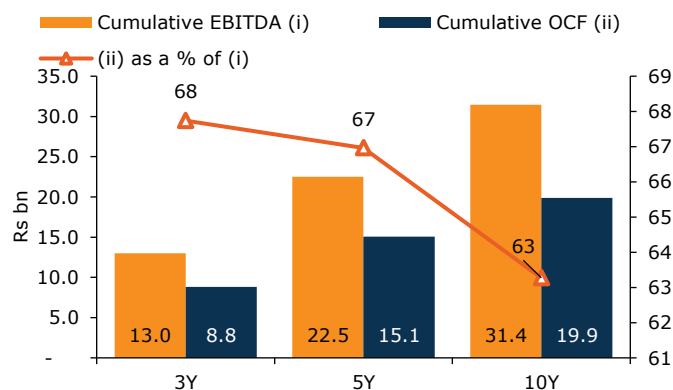
- **FCF generation:** NSPL generated cumulative FCF of ~Rs2.4bn over FY22-26, despite two heavy capex years (FY23/FY24) consuming ~Rs9bn.
- **FCF deployment:** Of this, the company distributed ~Rs760mn as dividends over FY22-26, while net borrowings rose ~Rs1.6bn and interest payments totaled ~Rs3.4bn. As a result, net debt/equity rose from 0.8x in FY22 to 1.2x in FY24; subsequent deleveraging brought it back to 0.7x by FY26.
- **FCF expectation:** FCF is expected to turn significantly negative in FY27E (Rs5.4bn) on elevated expansion capex, before recovering to Rs4.3bn in FY28E as new capacities ramp up. To fund the capex cycle, we estimate incremental borrowings of Rs8.5bn in FY27E, with cumulative dividend payouts of Rs340mn and aggregate finance costs of Rs2.1bn over FY27E-28E, reflecting a temporary balance-sheet stretch before cash flows normalize.
- **Earnings quality:** Over the past 10 years (FY17-26), NSPL has reported cumulative EBITDA of ~Rs31.4bn, against which it generated cumulative OCF of ~Rs19.9bn (~63% conversion).

Exhibit 248: FCF trends



Source: Company, Emkay Research

Exhibit 249: Profits and OCF trends in phases



Source: Company, Emkay Research

Exhibit 250: Contingent liabilities

Particulars (Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25
Cenvat, GST and custom duty	1	1	7	2	145	447
Outstanding bank guarantees	22	22	22	4	9	144
Bills negotiated with banks*	550	1,054	2,212	1,504	1,586	1,225
Total	573	1,077	2,241	1,510	1,740	1,815
As a % of net worth	11.6	19.1	25.6	14.7	15.2	13.8

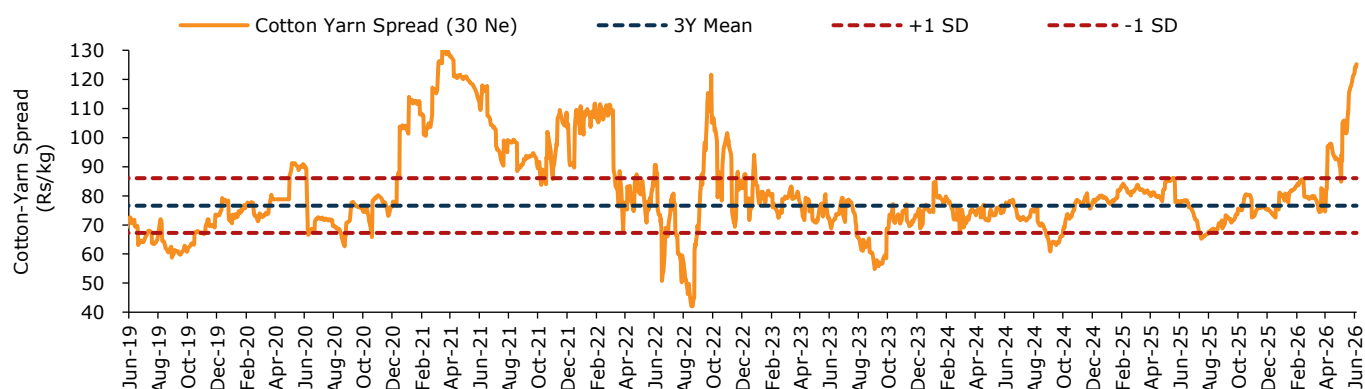
Particulars (Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25
Remuneration to KMP	28.6	42.9	99.7	47.3	55.6	71.5
As a % of PBT	8.0	4.0	2.0	2.7	3.1	3.0
Auditors remuneration	1.1	1.2	1.3	1.4	1.5	1.5
As a % of PBT	0.3	0.1	0.0	0.1	0.1	0.1

Source: Company, Emkay Research; Note: *Contingent liabilities appear elevated mainly due to bills negotiated with banks, a routine trade financing practice for an export-focused business and should not be construed as a red flag; excluding these, contingent liabilities stood at ~4.0% of net worth in FY25.

Valuation and outlook

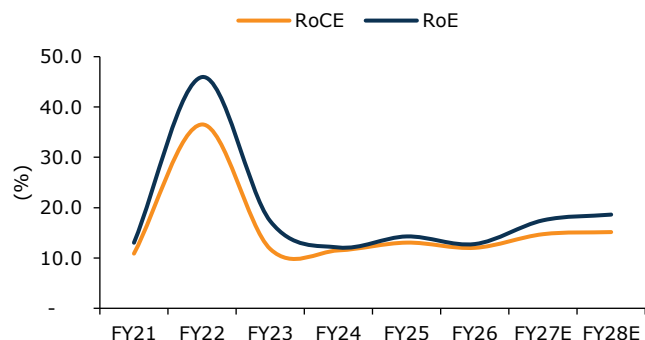
- NSPL's playbook has been consistent across cycles: invest cyclically, sweat assets at >95% utilization, and deleverage through ramp-up. The company's net debt/EBITDA eased from 3.7x in FY21 to 2.4x in FY26, despite the commencement of a fresh capex phase—a testimony to its balance sheet resilience.
- The current ~Rs11bn brownfield program (~47% of FY26 gross block; funded via accruals and ~Rs8.5bn of incremental debt) follows a similar template, with capacities expected to come on-stream by Q3FY27E, just as the cycle turns.
- Cotton-yarn spreads have rebounded to ~Rs102/kg in Q1FY27TD (near +1SD vs ~Rs70 at the Q2FY26 trough) on restocking demand, reduced domestic spinning capacity, and pricing discipline, while US tariff normalization and UK/EU FTAs open incremental export volumes.
- This sets up a dual earnings driver: cyclical (spread recovery lifting yarn realizations ~15% in FY27E) and structural (fabric:yarn mix shifting to ~33:67, driving ~370bps margin expansion to ~18% and ~32% EBITDA CAGR over FY26-28E).
- In our view, the market is pricing in the cyclical, not the structural; at ~9x FY28E PER, NSPL trades above its long-term mean, despite a decisively richer downstream mix and an improving RoE trajectory (FY28E: ~18.6%).
- We believe the deepening value-added mix, supported by favorable spreads, warrants a higher sustainable multiple; we assign 12x FY28E PER, arriving at a TP of Rs750 (~40% upside), and initiate coverage with BUY.

Exhibit 251: After 3 years of weak performance, yarn spreads (30 Ne) are much above +1SD levels



Source: Industry, Bloomberg, Emkay Research

Exhibit 252: Annual return ratio trends



Source: Company, Emkay Research

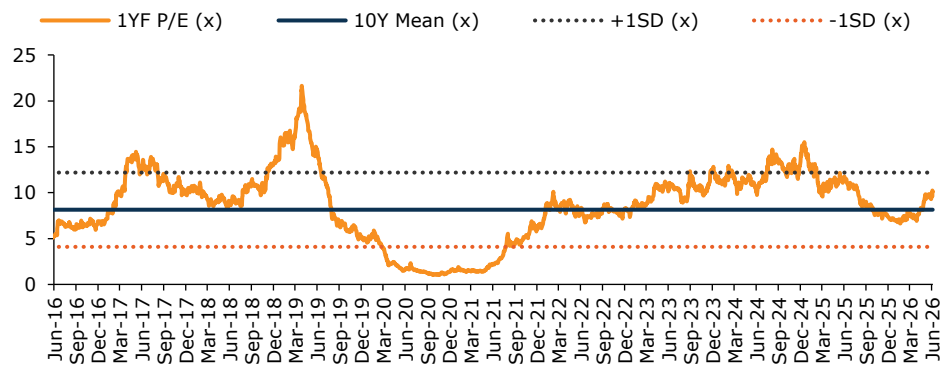
Exhibit 253: Valuation summary

Units	Valuation	FY28
Rs mn	APAT	3,542
(x)	Target PER	12
Rs mn	Equity value	42,505
Mn/sh	No of shares	56
Rs	Target price	750

Source: Company, Emkay Research

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

Exhibit 254: NSPL currently trades near its long term 1YF +1SD P/E (x)



Source: Company, Bloomberg, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Key risks

- **Raw material price volatility:** The company's primary raw material is cotton, which accounts for a large share of total input costs. Cotton prices are highly volatile and driven by factors such as monsoon outcomes, global supply-demand balances, agricultural policies, MSP adjustments, and international commodity movements. Sudden spikes in cotton prices directly inflate production costs, and in many cases the company may find it difficult to pass the entire increase onto customers without losing competitiveness.
- **FX and currency fluctuation:** A significant portion of Nitin Spinners' revenue is derived from exports to over 50 countries, contributing more than half of total sales in recent years. Sustained currency volatility can make pricing and profitability unpredictable, especially when contracts are fixed in foreign currency without hedging.
- **Competitive intensity in domestic and global markets:** Nitin Spinners operates in the highly fragmented textile and yarn industry, where dozens of players from small regional spinners to large integrated textile firms compete on price, quality, and delivery timelines. Domestic competitors in India and international spinning hubs (such as Bangladesh, Vietnam, and China) often compete aggressively on cost. This can put pressure on Nitin's realizations and market share, especially in commodity yarn segments where differentiation is limited.

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

About the company

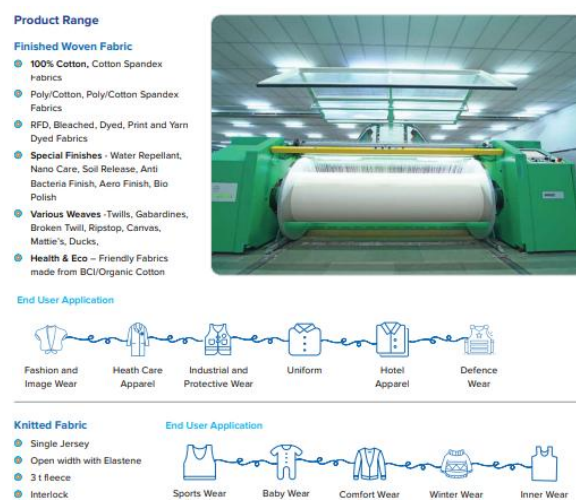
Nitin Spinners (NSPL) is one of India's leading integrated textile manufacturers, with a strong presence across cotton and blended yarns, knitted fabrics, and greige and finished woven fabrics. Established in 1992 and headquartered in Bhilwara, Rajasthan, the company operates state-of-the-art manufacturing facilities in Bhilwara and Chittorgarh, supported by modern technology and a robust distribution network. NSPL has a diversified product mix led by yarn (over 70% of revenue) and a growing fabrics segment. With exports accounting for ~61.5% of sales in H1FY26 and a footprint across more than 55 countries, the company benefits from strong global diversification. The company has built significant manufacturing scale, with annual capacity of ~110ktpa of yarn, ~11ktpa of knitted fabric, and ~40mn meters of woven fabric, supported by over ~435k spindles and a strong base of knitting and weaving machines. Alongside scale, the company maintains a clear sustainability focus, with ~43% of its output comprising eco-friendly fibers and 18.8 MW of renewable energy capacity, positioning it well for consistent growth and global competitiveness.

Exhibit 255: NSPL's yarn portfolio...



Source: Company, Emkay Research

Exhibit 256: ... and fabrics portfolio



Source: Company, Emkay Research

Exhibit 257: NSPL's journey since inception

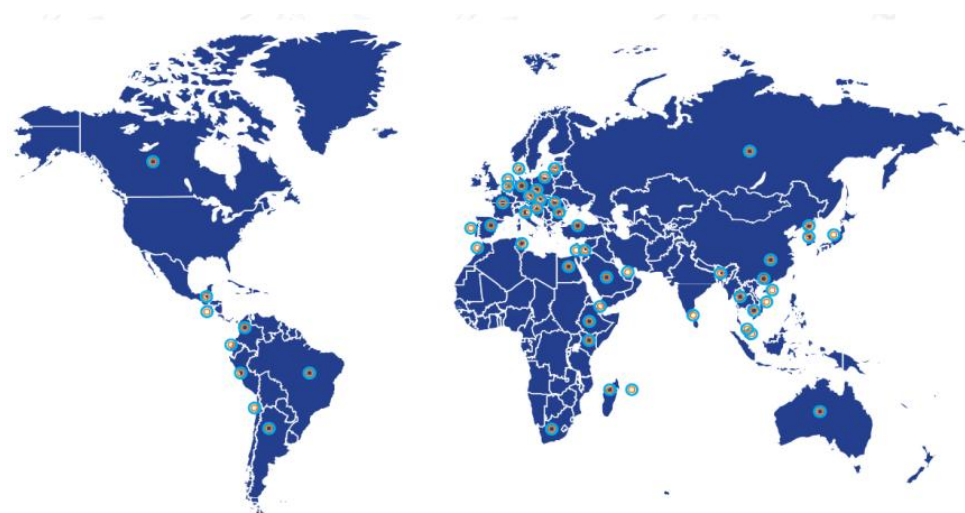


Source: Company, Emkay Research

Presence across 55+ countries, spanning six continents

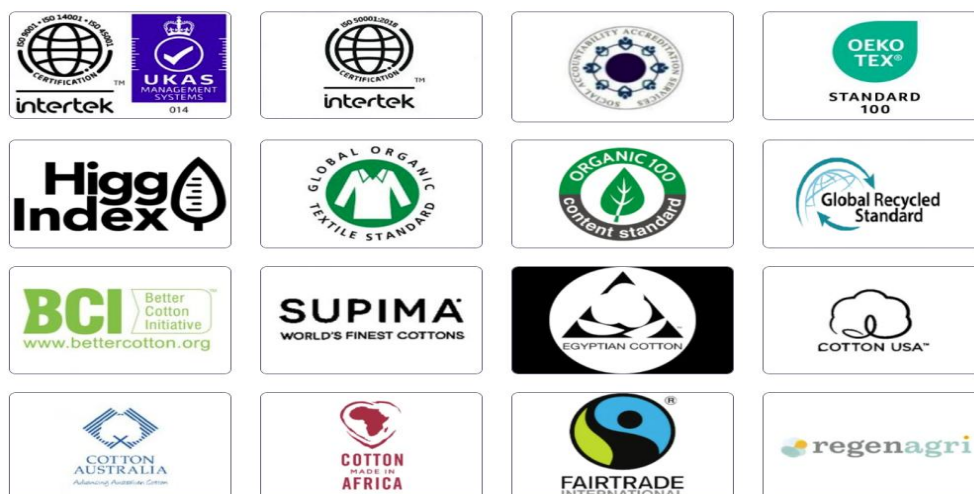
Argentina	Australia
Austria	Bangladesh
Belgium	Brazil
Bulgaria	Canada
Chile	China
Colombia	Croatia
Czech Republic	Denmark
Djibouti	Ecuador
Egypt	El Salvador
Ethiopia	France
Germany	Guatemala
Hong Kong	Indonesia
Israel	Italy
Japan	Jordan
Kenya	Korea
Lithuania	Madagascar
Malaysia	Mauritius
Morocco	Netherlands
Peru	Poland
Portugal	Romania
Russia	Saudi Arabia
Slovenia	South Africa
South Korea	Spain
Sri Lanka	Singapore
Taiwan	Thailand
Tunisia	Turkey
UAE	United Kingdom
USA	Vietnam

Exhibit 258: NSPLs' geographical presence



Source: Company, Emkay Research

Exhibit 259: Certifications possessed by NSPL



Source: Company, Emkay Research

Exhibit 260: Management profile

Name	Designation	Background
Dinesh Nolkha	Chairman and Managing Director	A FCA and FCMA with over 30 years of industrial experience. Co-founded the company in 1992 along with Late Shri R L Nolkha. Former President of Mewar Chamber of Commerce & Industry and former Chairman of NITRA. Currently serves as Deputy Chairman of CITI (Confederation of Indian Textile Industry). Recipient of the CA Business Leader Award (ICAI, 2019)
Nitin Nolakha	Managing Director	A management graduate with over 25 years of industrial experience; recognized for timely project execution and expansion into value-added segments. He currently serves on the Managing Committee of the Mewar Chamber of Commerce & Industry, Bhilwara, and as Vice Chairman of NITRA
Pratyush Nolakha	Executive Director	He is a graduate from Shri Ram College of Commerce and holds an MBA from the Indian Institute of Management, Ahmedabad. Prior to joining the company in February 2024, he worked at Boston Consulting Group for about a year.
P Maheshwari	Chief Financial Officer	A FCA with over 40 years of experience in finance and accounting. Leads financial strategy, operations, and regulatory compliance. Previously, he served as Vice President Finance at BSL Ltd, where he contributed to financial strengthening and growth initiatives

Source: Company, Emkay Research

Nitin Spinners: Standalone Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Revenue	29,056	33,057	32,139	36,565	44,101
Revenue growth (%)	20.7	13.8	(2.8)	13.8	20.6
EBITDA	3,771	4,714	4,528	6,210	7,856
EBITDA growth (%)	26.9	25.0	(4.0)	37.2	26.5
Depreciation & Amortization	1,185	1,477	1,481	1,569	1,984
EBIT	2,586	3,237	3,046	4,641	5,872
EBIT growth (%)	23.0	25.2	(5.9)	52.3	26.5
Other operating income	-	-	-	-	-
Other income	22	36	50	56	76
Financial expense	833	904	709	930	1,185
PBT	1,775	2,369	2,388	3,767	4,763
Extraordinary items	0	0	0	0	0
Taxes	460	615	612	966	1,221
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	1,315	1,754	1,775	2,801	3,542
PAT growth (%)	(20.2)	33.4	1.2	57.8	26.5
Adjusted PAT	1,315	1,754	1,775	2,801	3,542
Diluted EPS (Rs)	23.4	31.2	31.6	49.8	63.0
Diluted EPS growth (%)	(20.2)	33.4	1.2	57.8	26.5
DPS (Rs)	2.5	2.5	3.0	3.0	3.0
Dividend payout (%)	10.7	8.0	9.5	6.0	4.8
EBITDA margin (%)	13.0	14.3	14.1	17.0	17.8
EBIT margin (%)	8.9	9.8	9.5	12.7	13.3
Effective tax rate (%)	25.9	26.0	25.6	25.6	25.6
NOPLAT (pre-IndAS)	1,916	2,397	2,265	3,451	4,367
Shares outstanding (mn)	56	56	56	56	56

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
PBT (ex-other income)	1,775	2,369	2,388	3,767	4,763
Others (non-cash items)	-	-	-	-	-
Taxes paid	(255)	(527)	(570)	(966)	(1,221)
Change in NWC	(1,916)	(1,169)	54	(1,155)	(2,040)
Operating cash flow	1,635	3,074	4,105	4,145	4,671
Capital expenditure	(4,262)	(217)	(2,912)	(9,500)	(350)
Acquisition of business	-	-	-	-	-
Interest & dividend income	-	-	-	-	-
Investing cash flow	(4,255)	(216)	(2,867)	(9,500)	(350)
Equity raised/(repaid)	-	-	-	-	-
Debt raised/(repaid)	3,594	(1,744)	(402)	8,500	0
Payment of lease liabilities	-	-	-	-	-
Interest paid	(833)	(904)	(709)	(930)	(1,185)
Dividend paid (incl tax)	(141)	(141)	(169)	(169)	(169)
Others	0	0	0	0	0
Financing cash flow	2,620	(2,788)	(1,279)	7,402	(1,353)
Net chg in Cash	-	70	(41)	2,047	2,968
OCF	1,635	3,074	4,105	4,145	4,671
Adj. OCF (w/o NWC chg.)	3,551	4,244	4,051	5,300	6,711
FCFF	(2,628)	2,857	1,193	(5,355)	4,321
FCFE	(3,461)	1,953	484	(6,284)	3,136
OCF/EBITDA (%)	43.4	65.2	90.7	66.8	59.5
FCFE/PAT (%)	(263.1)	111.3	27.3	(224.3)	88.5
FCFF/NOPLAT (%)	(137.2)	119.2	52.7	(155.2)	99.0

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Share capital	562	562	562	562	562
Reserves & Surplus	10,901	12,550	14,145	16,778	20,151
Net worth	11,463	13,112	14,707	17,340	20,713
Minority interests	0	0	-	-	-
Non-current liab. & prov.	1,114	1,201	1,226	1,226	1,226
Total debt	13,391	11,647	11,245	19,745	19,745
Total liabilities & equity	25,968	25,960	27,363	38,685	42,229
Net tangible fixed assets	17,082	15,769	14,891	23,466	22,177
Net intangible assets	0	0	0	0	0
Net ROU assets	0	0	0	0	0
Capital WIP	24	66	1,024	380	35
Goodwill	-	-	-	-	-
Investments [JV/Associates]	0	0	0	0	0
Cash & equivalents	4	95	258	2,305	5,272
Current assets (ex-cash)	9,863	11,156	11,378	12,709	15,125
Current Liab. & Prov.	1,198	1,363	1,783	1,769	1,975
NWC (ex-cash)	8,665	9,793	9,595	10,940	13,150
Total assets	25,968	25,960	27,363	38,685	42,229
Net debt	13,387	11,552	10,987	17,440	14,473
Capital employed	25,968	25,960	27,363	38,685	42,229
Invested capital	25,754	25,566	24,488	34,408	35,329
BVPS (Rs)	203.9	233.2	261.6	308.4	368.4
Net Debt/Equity (x)	1.2	0.9	0.7	1.0	0.7
Net Debt/EBITDA (x)	3.6	2.5	2.4	2.8	1.8
Interest coverage (x)	3.1	3.6	4.4	5.1	5.0
RoCE (%)	11.5	13.0	12.0	14.7	15.1

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY24	FY25	FY26	FY27E	FY28E
P/E (x)	22.9	17.2	17.0	10.8	8.5
EV/CE(x)	1.8	1.7	1.6	1.3	1.1
P/B (x)	2.6	2.3	2.0	1.7	1.5
EV/Sales (x)	1.5	1.3	1.3	1.3	1.0
EV/EBITDA (x)	11.5	8.8	9.1	7.7	5.7
EV/EBIT(x)	16.8	12.9	13.5	10.2	7.6
EV/IC (x)	1.7	1.6	1.7	1.4	1.3
FCFF yield (%)	(6.0)	6.9	2.9	(11.3)	9.7
FCFE yield (%)	(11.5)	6.5	1.6	(20.9)	10.4
Dividend yield (%)	0.5	0.5	0.6	0.6	0.6
DuPont-RoE split					
Net profit margin (%)	4.5	5.3	5.5	7.7	8.0
Total asset turnover (x)	1.2	1.3	1.2	1.1	1.1
Assets/Equity (x)	2.2	2.1	1.9	2.1	2.1
RoE (%)	12.1	14.3	12.8	17.5	18.6
DuPont-RoIC					
NOPLAT margin (%)	6.6	7.3	7.0	9.4	9.9
IC turnover (x)	1.4	1.3	1.3	1.2	1.3
RoIC (%)	9.0	9.3	9.1	11.7	12.5
Operating metrics					
Core NWC days	108.8	108.1	109.0	109.2	108.8
Total NWC days	108.8	108.1	109.0	109.2	108.8
Fixed asset turnover	1.5	1.4	1.4	1.3	1.3
Opex-to-revenue (%)	21.3	22.1	23.2	21.7	20.9

Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarqueresolutions)

We initiate coverage on Sanathan Textiles (STL) with BUY and TP of Rs550. STL is a yarn manufacturer with strong presence in India's man-made fiber (MMF) value chain, with >80% of revenue from polyester products. STL has improved polyester capacity by >2x to ~456ktpa via commissioning of Phase-1 (~256ktpa) of its Punjab facility (Phase-2: ~91ktpa by Mar-27). It has plans to expand capacities in cotton yarn (14ktpa now to ~25ktpa by H2FY28E) and technical textiles (9ktpa now to 18ktpa by H1FY27E). Backed by improving product mix (higher share of value-added yarns), structural cost advantages at the new facility (lower power, fuel, and freight costs), capacity ramp-up, and rising MMF demand in India, STL is well poised to log strong earnings growth. We estimate revenue/EBITDA/PAT CAGR of 35/63/115% over FY26-28E. STL trades at an attractive ~9x Mar-28E PER, as a proxy to India's MMF growth; we value the stock at 13x Mar-28E PER, and arrive at TP of Rs550 (~39% upside). Key risks: raw material sensitivity, execution delay, and regulatory changes.

Next milestone – Ramp-up and expansion of the Punjab plant...: STL has commissioned its Phase-1 (~256ktpa) Punjab facility and achieved optimal utilization level. We believe its proximity to key consumption centers (Delhi/NCR, Ludhiana) and PTA supply (IOCL Panipat) will support strong utilization. With absence of large integrated players in North India (~1mtpa market) and a planned ~91ktpa Phase-2 expansion, the Punjab unit is expected to generate ~Rs27/38bn revenue in FY27E/28E (~50% of the total) and drive overall revenue CAGR of ~35% over FY26-28E.

...along with margin: Margin expansion is likely to be driven by a richer product mix and lower conversion costs at the Punjab plant (vs Silvassa). Premium product share (>50%) is expected to rise further, supported by higher usage of high-denier yarns in North India, while planned fabric (weaving/knitting) integration should cushion margins amid input price volatility, in our view. The facility also offers cost advantages, including affordable grid power (~Rs5/unit), access to rice husk fuel, shorter freight routes, reusable pallet systems, and high automation. As utilization ramps up, consolidated EBITDA margin is expected to move to the early double-digit range by FY28E, backing the ~63% EBITDA CAGR over FY26-28E.

Foot on the growth pedal: With commissioning of the Punjab plant, STL now plans cumulative capex of ~Rs6.5bn over FY27E-28E toward 1) ~91ktpa brownfield expansion at the Punjab unit by Mar-27; 2) a 73k-spindle cotton yarn plant at Dhar, MP by H2FY28E; and 3) doubling technical textile capacity to 18ktpa (Silvassa facility by H1FY27E). At optimal utilization, STL targets generating incremental revenue of ~Rs13bn.

Play on India's MMF growth story: Given that it logs >80% of revenue from polyester, STL remains well placed to gain from India's MMF growth, with per-capita consumption (~3kg) below global peers' (>10kg) like China, Japan, etc. Policy tailwinds and new PTA capacities are expected to drive demand CAGR of ~7-8% for MMF over FY26-28E.

Target Price – 12M	Mar-28
Change in TP (%)	NA
Current Reco.	BUY
Previous Reco.	NA
Upside/(Downside) (%)	39.2

Stock Data	SANATHAN IN
52-week High (Rs)	564
52-week Low (Rs)	352
Shares outstanding (mn)	84.4
Market-cap (Rs bn)	33
Market-cap (USD mn)	351
Net-debt, FY27E (Rs mn)	19,687.2
ADTV-3M (mn shares)	0.0
ADTV-3M (Rs mn)	11.2
ADTV-3M (USD mn)	0.1
Free float (%)	21.4
Nifty-50	23,366.7
INR/USD	94.9

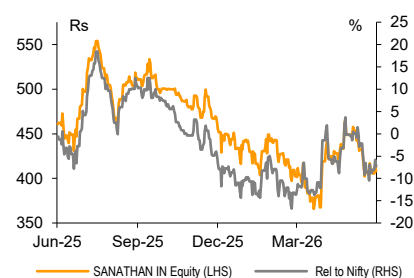
Shareholding, Mar-26

Promoters (%)	78.6
FPIs/MFs (%)	1.6/12.3

Price Performance

(%)	1M	3M	12M
Absolute	(11.9)	(4.0)	(14.3)
Rel. to Nifty	(9.4)	1.7	(9.2)

1-Year share price trend (Rs)



Sanathan Textiles: Financial Snapshot (Consolidated)

Y/E March (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Revenue	29,575	29,986	38,112	57,873	69,934
EBITDA	2,266	2,628	2,844	4,922	7,593
Adj. PAT	1,338	1,605	774	1,311	3,561
Adj. EPS (Rs)	18.6	21.3	9.2	15.5	42.2
EBITDA margin (%)	7.7	8.8	7.5	8.5	10.9
EBITDA growth (%)	(12.7)	16.0	8.2	73.1	54.3
Adj. EPS growth (%)	(12.4)	14.5	(57.0)	69.5	171.6
RoE (%)	11.1	10.4	4.2	6.8	16.3
RoIC (%)	11.5	14.1	6.3	8.3	13.3
P/E (x)	21.2	18.5	43.1	25.4	9.4
EV/EBITDA (x)	13.3	16.3	16.4	10.8	6.0
P/B (x)	2.2	1.8	1.8	1.7	1.4
FCFF yield (%)	(0.7)	(26.7)	(5.6)	(8.5)	19.3

Source: Company, Emkay Research

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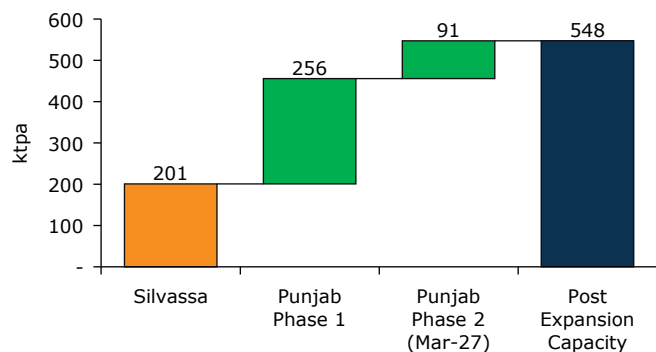
Story in Charts

Exhibit 261: Bird eye view

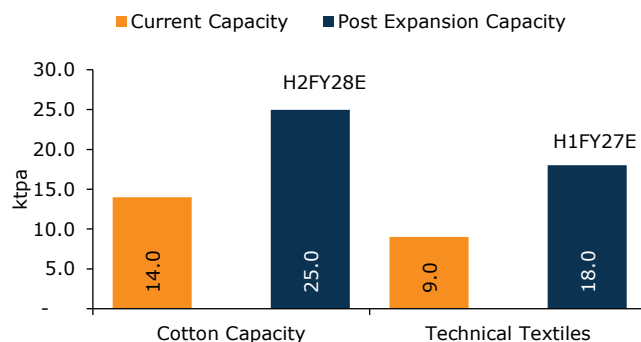
Particulars	Polyester Filament Yarn (PFY)	Cotton Yarn	Technical and Industrial Yarn
Product			
Product offerings	POY, FDY, DTY, dope-dyed yarn, micro/superfine yarns, cationic dyeable yarns, specialty blends	Carded and combed yarn, compact yarn, poly-cotton blends	Industrial, high-tenacity, functional and application-specific yarn
Materials used	PTA + MEG (crude linked inputs)	Raw cotton	High Intrinsic Value (IDY) chips
Product applications	Apparel, home textiles, sportswear, innerwear, sarees, dress materials	Apparel, weaving, knitting	Automotive textiles, healthcare, construction, geotextiles, protective wear
Production capacity	456,250tpa	14,000tpa	9,000tpa
Revenue characteristics	Commodity-linked pricing with partial pass-through	Cotton spread driven	Higher realization, niche-driven
Relative margin profile	9-11% (Steady-state)	15-20% (Higher but volatile)	13-15%
Asset turnover	1.8-2.0x	0.8-1.0x	~2.5x
Key margin drivers	PTA-MEG spread, capacity utilization, mix of value-added PFY	Cotton price cycle, yarn count mix	Customization, technical complexity, customer stickiness
Working Capital intensity	Moderate	High (Bulk stocking of cotton during harvest/Kharif season)	Moderate
Capex intensity	High	Moderate	Moderate to high
Key risks	Crude volatility, spread compression	Cotton volatility, demand cycles	Order cyclicality, niche demand
Financial Performance			
	Volume	Realization	Revenue
FY26	Polyester (incl Tech Textiles): 276kt Cotton: 21kt	Polyester (incl Tech Textiles): Rs109/kg Cotton: Rs294/kg	Polyester (incl Tech Textiles): Rs30.2bn Cotton: Rs6.2bn
FY27E	Polyester (incl Tech Textiles): 445.8kt Cotton: 15.4kt	Polyester (incl Tech Textiles): Rs115/kg Cotton: Rs302/kg	Polyester (incl Tech Textiles): Rs51.4bn Cotton: Rs4.7bn
FY28E	Polyester (incl Tech Textiles): 539.8kt Cotton: 16.4kt	Polyester (incl Tech Textiles): Rs116/kg Cotton: Rs302/kg	Polyester (incl Tech Textiles): Rs62.4bn Cotton: Rs4.9bn
	Revenue	EBTIDA	PAT
FY20-26 CAGR	10.3%	5.0%	9.0%
FY26-28E CAGR	35.5%	63.4%	114.6%
	EBITDA margin	RoE	RoCE
FY26	7.5%	4.2%	6.7%
FY27E	8.5%	6.8%	9.5%
FY28E	10.9%	16.3%	14.6%

Source: Company, Emkay Research

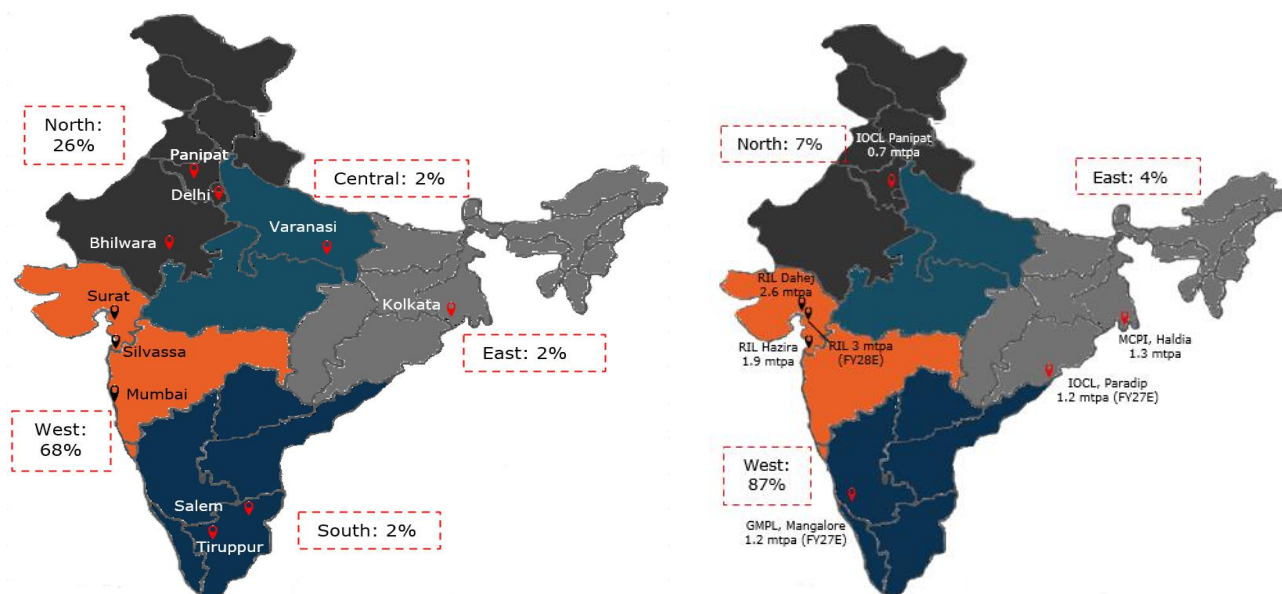
This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Exhibit 262: Polyester capacity is expected to reach ~548ktpa after completion of Phase-2 of the Punjab facility (by Mar-27)...

Source: Company, Emkay Research

Exhibit 263: ...while cotton and technical textile capacities would nearly double by FY28E

Source: Company, Emkay Research

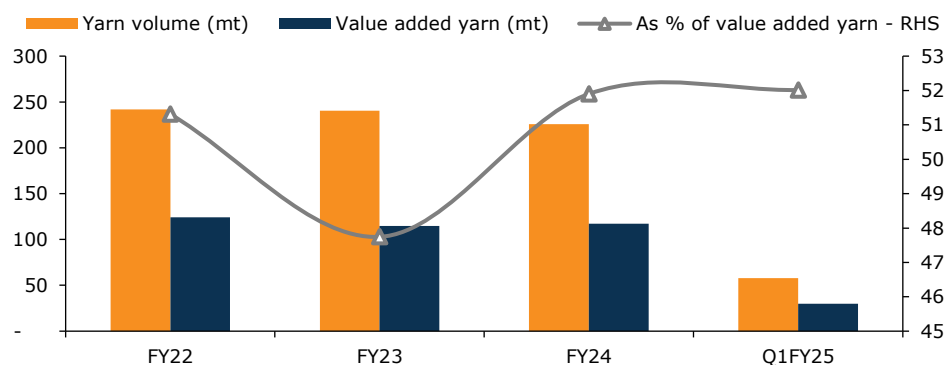
Exhibit 264: North India consumes ~26% of polyester (LHS) but hosts only ~7% of PTA/MEG capacity (RHS); STL's 15Y contract with IOCL Panipat provides its Punjab plant a clear right to win

Source: Industry, Emkay Research

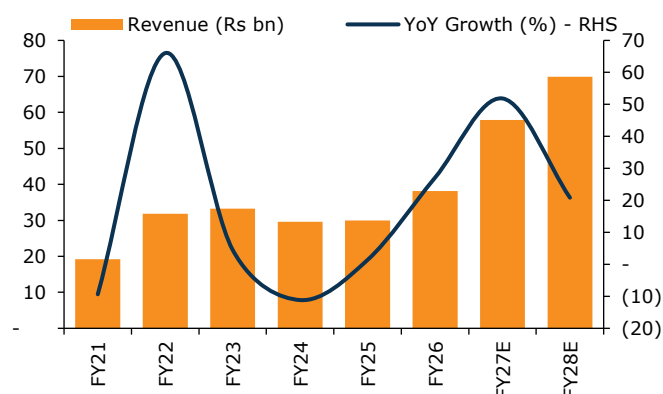
Exhibit 265: Costs—freight, power, and fuel—in Punjab are structurally lower

Category	Cost benefits	Details and Impact
Power costs	Subsidized Electricity	- Madhya Pradesh: Rs4.5/unit (PM MITRA Park) - Punjab: Rs5/unit for the first 4 years
Logistics and Freight	Proximity to Market	- Punjab Plant is in the North India textile hub (Delhi/NCR, Ludhiana) - Freight costs are Rs800–1,000/t vs Rs4,500–5,000/t for competitors supplying from western India
Energy and Heating	Agri-Waste Fuel	Punjab facility uses solid-state heaters fueled by agri-waste (instead of gas), resulting in material savings on heating costs
Raw Material procurement	Refinery Proximity	Punjab: Sources PTA/MEG from IOCL Panipat Refinery within a 170–185km radius. This creates a 'just-in-time' local ecosystem
Inventory management	Reduced Blockage	Local sourcing of raw materials and packaging materials in Punjab minimizes the need for high inventory levels compared to the 30–35 day transit time for imports.
Government subsidies	GST and Capital Refunds	- Punjab: Net state GST refund (up to 2x fixed capital investment) for up to 17 years - Employment: Rs50,000/person subsidy for 7 years
Operational efficiency	High Automation	Global-standard automation (Barmag, Salmoiraghi, Craftsman) and larger scale in Punjab lead to lower manpower costs per unit of production
Land and Infrastructure	Subsidized Land	Madhya Pradesh: Acquired 49 acres at a subsidized rate of Rs260mn through the PM MITRA Park policy
Policy tailwinds	GST and Trade Deals	- Reduction of GST on MMF/yarn, from 12% to 5%, improves affordability and stimulates volume - Withdrawal of QCOs allows access to cheaper global raw material

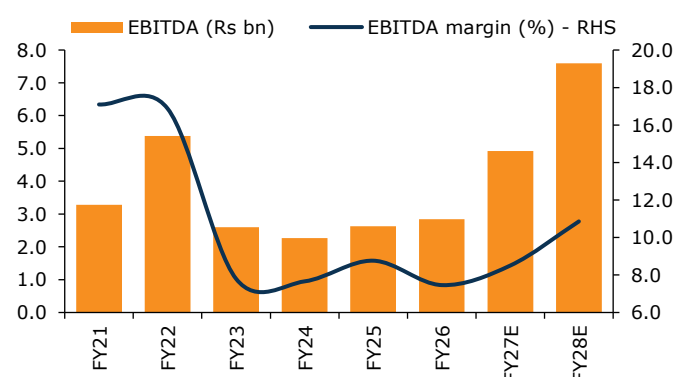
Source: Company, Emkay Research

Exhibit 266: VAPs accounted for ~50% of the total products sold in FY25

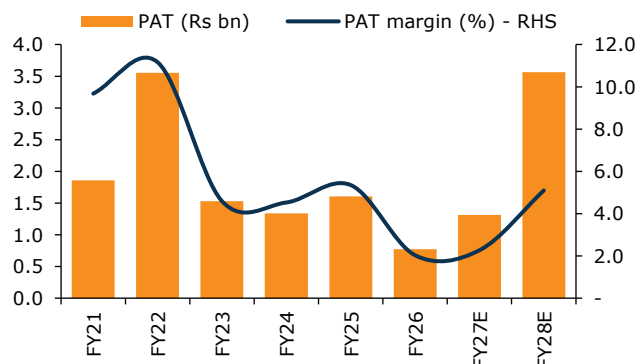
Source: Company, Emkay Research; Note: As per the latest available data

Exhibit 267: Punjab to drive ~35% revenue CAGR, which is likely to be 50% of the total FY28E revenue

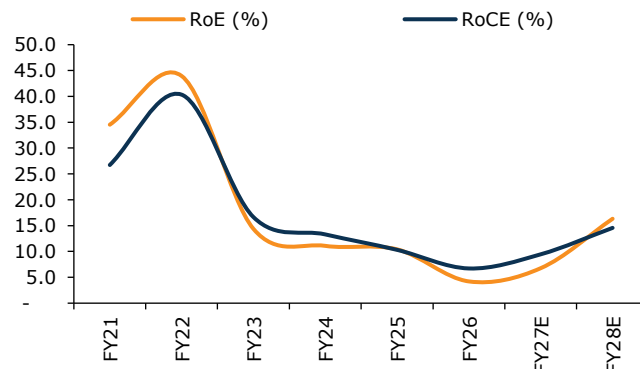
Source: Company, Emkay Research

Exhibit 268: EBITDA margin would rebound to ~11% in FY28E on the back of operating leverage

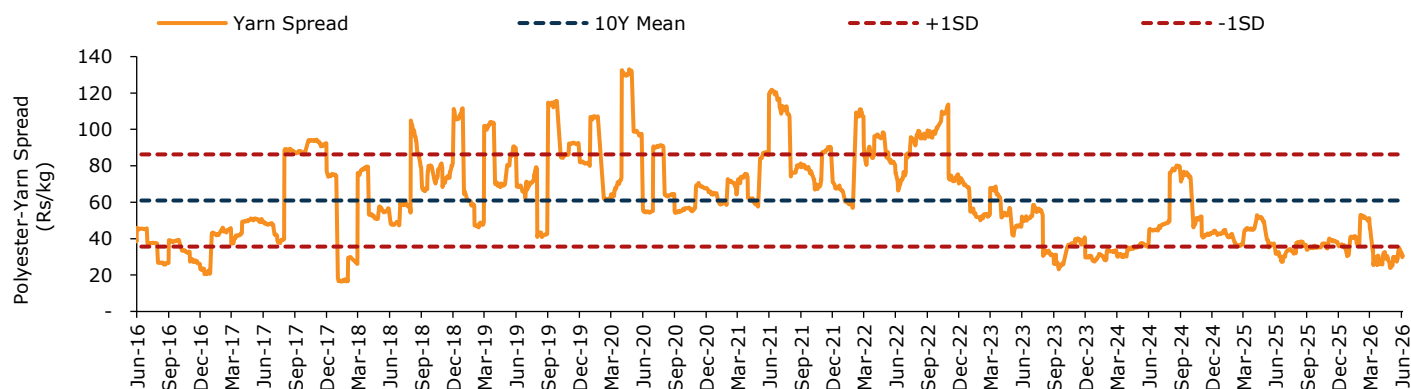
Source: Company, Emkay Research

Exhibit 269: PAT CAGR is expected at ~115%, on a low FY26 base...

Source: Company, Emkay Research

Exhibit 270: ...hence, RoE/RoCE is likely to recover to 16%/15% by FY28E

Source: Company, Emkay Research

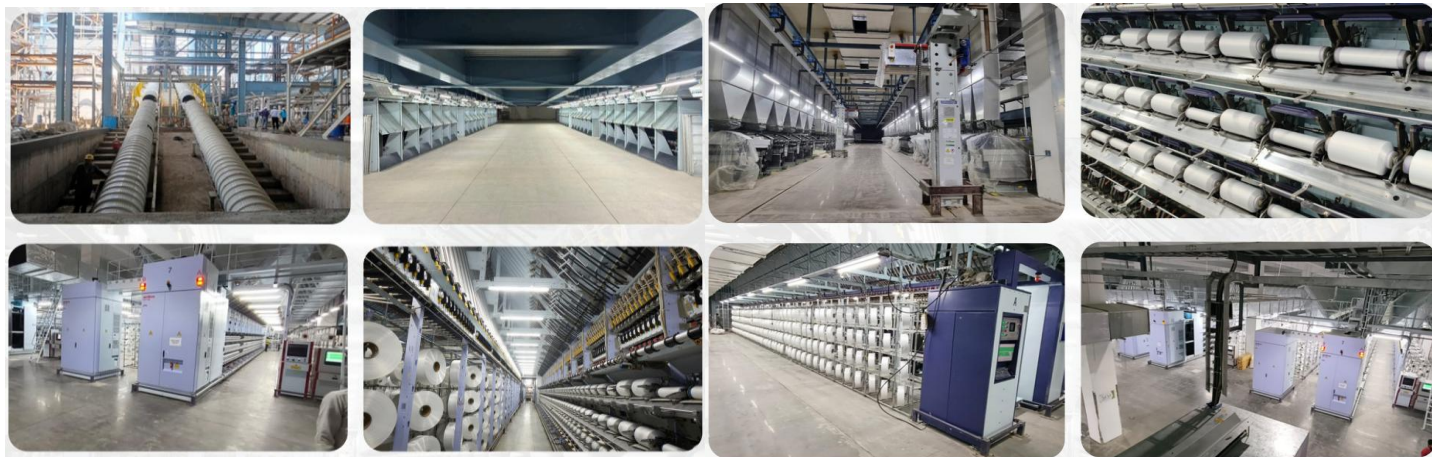
Exhibit 271: Polyester spreads are below -1SD; easing West Asia tensions should drive a recovery

Source: Industry, Bloomberg, Emkay Research

Exhibit 272: Valuation

Particulars (Rs mn)	FY28E
Assumed P/E (x)	13
PAT (Rs mn)	3,561
Equity Value	46,295
Shares o/s (mn)	84
Value per share (Rs)	550

Source: Company, Emkay Research

Exhibit 273: Key snapshots of the company's Punjab facility

Source: Company, Emkay Research

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

Exhibit 274: Revenue model

Particulars (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Capacity (ktpa)					
Polyester (incl Technical Textiles)	209.8	209.8	465.3	474.3	565.5
Utilization (%)	99.8	100.6	59.3	94.0	95.5
Cotton	14.0	14.0	14.0	14.0	25.0
Utilization (%)	110.1	118.2	149.8	110.0	65.6
Sales Volume (kt)					
Polyester (incl Technical Textiles)	209.3	210.9	276.0	445.8	539.8
Growth YoY (%)	-	0.8	30.8	61.5	21.1
Cotton	15.4	16.5	21.0	15.4	16.4
Growth YoY (%)	-	7.3	26.7	(26.6)	6.2
Scrap	11.0	14.0	43.1	55.0	65.8
Growth YoY (%)	-	27.5	206.8	27.6	19.8
Realization (Rs/kg)					
Polyester (incl Technical Textiles)	113	115	109	115	116
Growth YoY (%)	-	2.2	(4.9)	5.4	0.3
Cotton	348	309	294	302	302
Growth YoY (%)	-	(11.2)	(4.8)	2.7	-
Scrap	59	44	41	33	39
Growth YoY (%)	-	(26.1)	(7.1)	(18.3)	18.2
Product-wise Revenue (Rs mn)					
Polyester (incl Technical Textiles)	23,557	24,257	30,192	51,398	62,412
Growth YoY (%)	-	3.0	24.5	70.2	21.4
Cotton	5,369	5,117	6,175	4,657	4,947
Growth YoY (%)	-	(4.7)	20.7	(24.6)	6.2
Scrap	650	612	1,745	1,819	2,575
Growth YoY (%)	-	(5.8)	185.0	4.2	41.6
Revenue	29,575	29,986	38,112	57,873	69,934
Growth YoY (%)	(11.2)	1.4	27.1	51.9	20.8
EBITDA	2,266	2,628	2,844	4,922	7,593
EBITDA Margin (%)	7.7	8.8	7.5	8.5	10.9
Growth YoY (%)	(12.7)	16.0	8.2	73.1	54.3
EBIT	1,822	2,169	1,913	3,397	5,860
EBIT Margin (%)	6.2	7.2	5.0	5.9	8.4
Growth YoY (%)	(15.7)	19.1	(11.8)	77.6	72.5
PAT	1,338	1,605	774	1,311	3,561
PAT Margin (%)	4.5	5.4	2.0	2.3	5.1
Growth YoY (%)	(12.4)	19.9	(51.8)	69.5	171.6
EPS (Rs)	18.6	21.3	9.2	15.5	42.2
Growth YoY (%)	(12.4)	14.5	(57.0)	69.5	171.6
OCF	1,917	2,840	3,224	(482)	11,342
As a % of EBITDA	84.6	108.1	113.4	(9.8)	149.4
Capex	2,159	14,287	6,145	4,000	2,500
As a % of Gross Block	12.4	80.1	15.7	10.1	5.2
FCF	(242)	(11,447)	(2,921)	(4,482)	8,842
FCF yield (%)	(0.9)	(34.3)	(8.8)	(13.4)	26.5
Net Debt	1,715	9,457	13,430	19,687	12,374
Net debt/EBITDA (x)	0.8	3.6	4.7	4.0	1.6
ROE (%)	11.1	10.4	4.2	6.8	16.3
ROCE (%)	13.3	10.3	6.7	9.5	14.6

Source: Company, Emkay Research

Investment Thesis

The next milestone – Ramp-up and expansion of the Punjab plant...

STL commissioned Phase-1 (256ktpa) of its Punjab facility in Q2FY26, achieving optimal utilization FY26-end. Its proximity to key consumption centers (Delhi/NCR, Ludhiana) and PTA supply (IOCL Panipat) should support strong utilization. With absence of large integrated players in North India (~1mntpa market) and a planned ~91ktpa Phase-2 expansion, the Punjab unit is expected to generate ~Rs27/38bn revenue in FY27E/28E (~50% of total), and drive overall revenue CAGR of ~35% over FY26-28E.

...along with margin

Margin expansion is likely to be driven by a richer product mix and lower conversion costs at the Punjab plant (vs Silvassa). Premium product share (>50%) is expected to rise further, supported by higher usage of high-denier yarns in North India, while planned fabric (weaving/knitting) integration should cushion margins amid input price volatility. The facility also offers cost advantages, including affordable grid power (~Rs5/unit), access to rice husk fuel, shorter freight routes, reusable pallet systems, and high automation. As utilization ramps up, consolidated EBITDA margin is expected to move to the early double-digit range by FY28E, backing the ~63% EBITDA CAGR over FY26-28E.

Foot on the growth pedal

With commissioning of the Punjab plant, STL now plans cumulative capex of ~Rs6.5bn over FY27E-28E toward 1) the ~91ktpa brownfield expansion at the Punjab unit by Mar-27; 2) 73k spindles cotton yarn plant at Dhar, MP by H2FY28E; and 3) doubling technical textile capacity to 18ktpa (Silvassa facility by H1FY27E). At optimal utilization, these investments are likely to generate ~Rs13bn in incremental revenue.

Play on India's MMF growth story

Given that >80% of the company's revenue is from polyester, STL remains well placed to gain from India's MMF growth, with per-capita consumption (~3kg) below that of global peers (>10kg) like China, Japan, etc. Policy tailwinds/new PTA capacities are expected to drive MMF demand CAGR of ~7-8% over FY26-28E.

Exhibit 275: DuPont analysis

Particulars	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
PAT/PBT (%)	73.5	74.2	72.9	73.8	74.1	67.4	77.0	78.8
PBT/EBIT (%)	87.7	96.7	96.9	99.6	99.8	60.0	50.1	77.1
EBIT/Sales (%)	15.0	15.6	6.5	6.2	7.2	5.0	5.9	8.4
Asset Turnover (x)	1.3	2.0	2.1	1.8	1.7	2.2	2.0	1.8
Assets/Equity (x)	2.7	1.9	1.5	1.4	1.1	1.0	1.5	1.8
RoE (%)	34.5	43.9	14.4	11.1	10.4	4.2	6.8	16.3

Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Next milestone – Ramp-up and expansion of the Punjab plant...

In the recent earnings call, the management highlighted that the Phase-1 (~256ktpa) of the Punjab facility capacity has already achieved optimal utilization

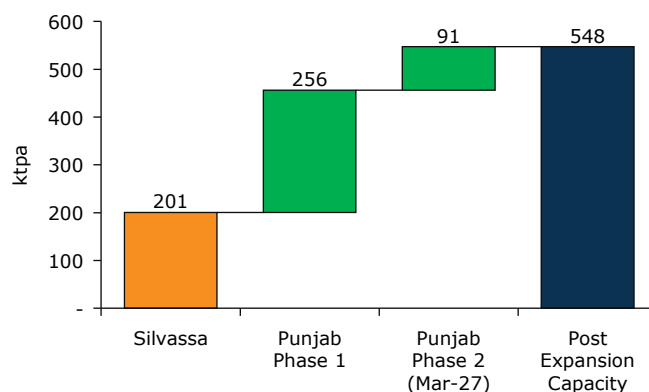
- STL's Punjab plant is housed under its wholly-owned subsidiary, Sanathan Polycot Pvt (SPPL), which is pegged to triple its polyester capacity post phase-2 (Mar-27) commissioning.
- The first phase of this facility, designed for ~256ktpa capacity, commenced commercial operations on 27-Aug-25. Post-commissioning, the plant saw steady ramp-up, starting at an initial polymerization capacity of ~128ktpa and reaching ~210ktpa by Feb-26.
- Looking past the immediate milestone, the company has planned a Phase-2 expansion of ~91ktpa, which will bring the Punjab facility's total capacity to ~347ktpa.

Exhibit 276: Snapshot of the Punjab facility, as on 27-Aug-25



Source: Company, Emkay Research

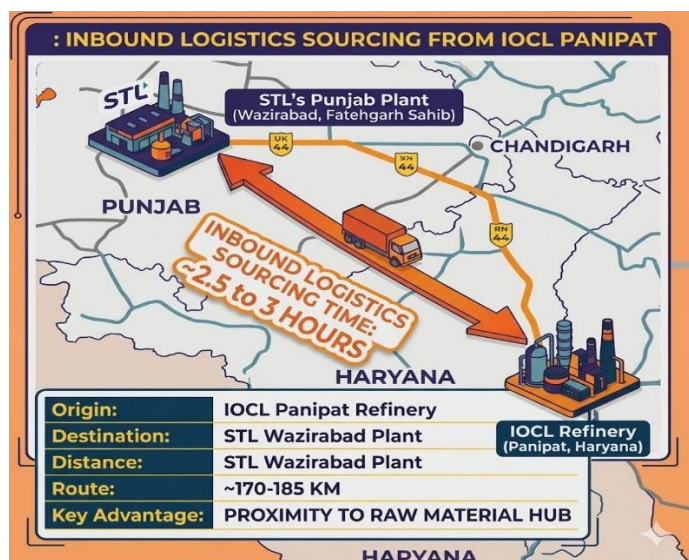
Exhibit 277: Phases of capacity ramp-up at the Punjab plant



Source: Company, Emkay Research

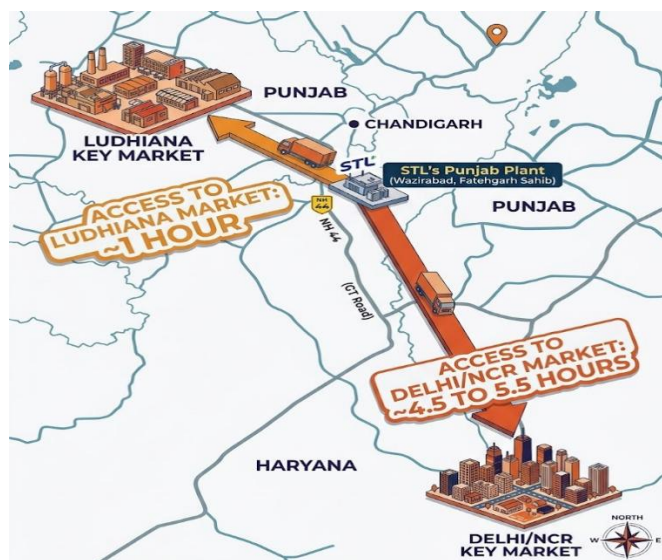
- The Punjab facility is strategically located to tap North India's ~1mtpa yarn market, serving key hubs like Ludhiana and NCR amid a favorable competitive landscape.
- Historically, this massive market was served primarily by manufacturers located in western India; this means customers faced high freight costs and longer lead times.
- This 'local ecosystem' is further strengthened by proximity to crucial input sources, specifically the Indian Oil Corporation (IOCL) refinery at Panipat.

Exhibit 278: STL's Punjab plant's PTA/MEG sourcing time from IOCL is ~2.5hours...



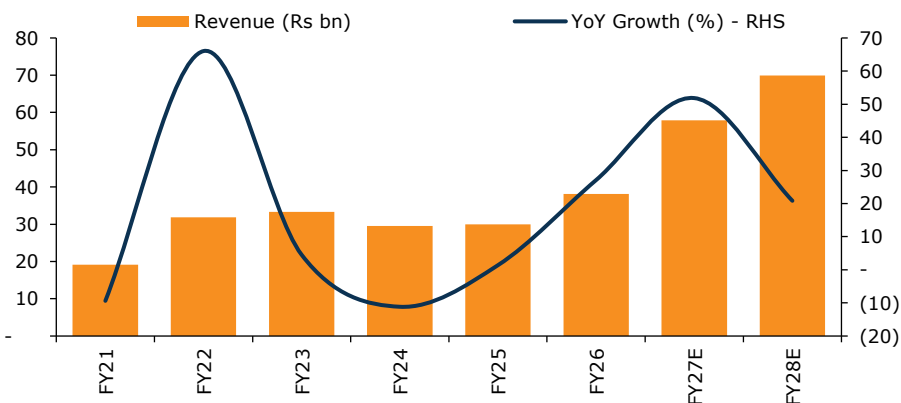
Source: Company, Emkay Research

Exhibit 279: ...as also being the best place to serve key markets like Ludhiana and Delhi NCR



Source: Company, Emkay Research

- Further, the company has secured a 15-year arrangement with IOCL for the supply of purified terephthalic acid (PTA) and mono-ethylene glycol (MEG), ensuring a stable and cost-effective raw material pipeline within a 170-185km radius.
- We estimate the Punjab plant to generate revenue of ~Rs27bn/38bn over FY27E/28E, contributing ~50% of the total revenue. Overall, we build in revenue CAGR of ~35% over FY26-28E.

Exhibit 280: Annual revenue trend

Source: Company, Emkay Research

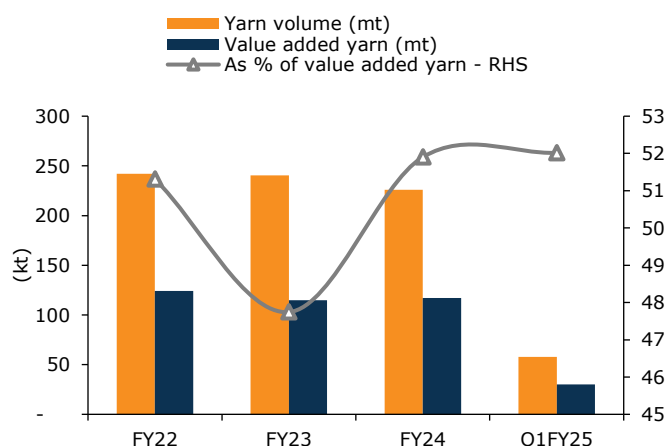
This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

...along with margin

Enhancement of margin through premium mix and vertical integration

- STL has consistently maintained a high share of value-added products (VAPs), which accounted for ~50% of the total products sold in FY25.
- These premium products, including cationic dyeable, dope-dyed (Born-Dyed), functional (moisture-wicking), industrial, and specialty yarns, are tailor-made to customer requirements and command higher margins than standard commodity yarns.
- The Punjab facility is specifically positioned to tap into the North Indian market's demand for specialized products, such as high-denier yarns used in heavy-duty textiles.
- To further protect margins against input price volatility, STL plans a mid-term downstream integration by adding a fabric weaving or knitting division at the Punjab site.

Exhibit 281: Premium product mix trend



Source: Company, Emkay Research; Note: As per the latest available data

Exhibit 282: STL's innovative product range

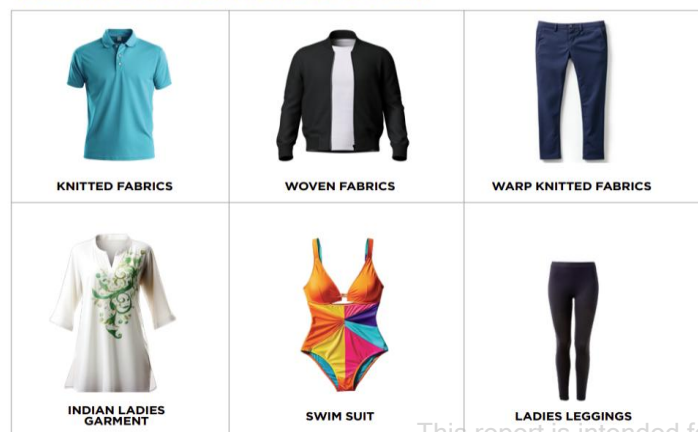


Source: Company, Emkay Research

- The company's move into fabric manufacturing will allow it to capture additional value within the same facility and reduce its dependence on the cyclicity of pure yarn sales
- By providing 'value for money' innovative offerings such as the newly launched 'S-flex four-way stretch yarn' and 'Sanathan Dry Cool series', the company ensures high customer retention (~92%) and a competitive edge in the rapidly growing affordable fast fashion and technical textile segments

Exhibit 283: Application of STL's value for money 'S-flex' four-way stretch yarn

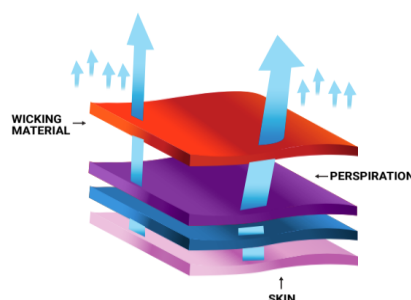
VERSATILE APPLICATIONS OF S-FLEX



Source: Company, Emkay Research

Exhibit 284: Advantages of STL's Dry Cool series

ADVANTAGES



Unmatched Performance:
Sanathan Drycool delivers exceptional moisture wicking and breathability, keeping you cool and dry even during rigorous activity.

Versatile:
Sanathan Drycool is suitable for a wide range of applications, from athletic apparel to everyday clothing, providing superior comfort and performance.

Durable:
Our yarn is built to withstand repeated washing and wear, ensuring long-lasting performance and comfort.

Source: Company, Emkay Research

Structural cost advantages and financial growth trajectory

- The Punjab facility is engineered for structurally lower conversion costs than Silvassa's, anchored by subsidized grid power at Rs5/unit for the first four years under a state government agreement (vs Rs6/unit in Silvassa and ~Rs8/unit in Gujarat).
- Energy costs are further reduced through Belgian solid-state heaters fueled by agri-waste (rice husk) instead of gas, delivering material savings in heating expenses.

Exhibit 285: Automation at STL's warehousing facility



Source: Company, Emkay Research

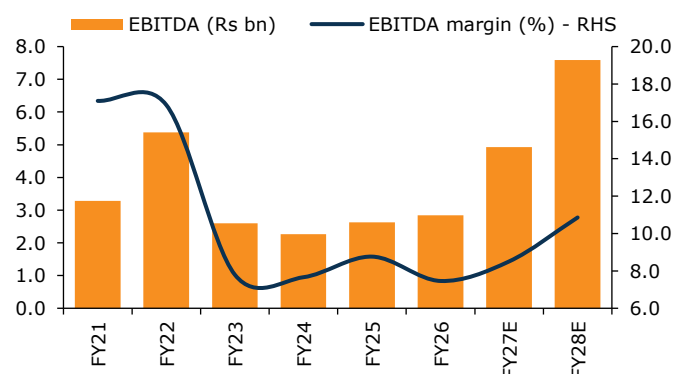
- On the supply and demand fronts, proximity to IOCL's Panipat refinery (170–185km) ensures stable PTA/MEG availability, while proximity being to Delhi/NCR and Ludhiana cuts logistics costs to ~Rs800–1,000/t versus Rs4,500–5,000/t in western India.
- Further, operational efficiency is reinforced by high automation from global leaders (Barmag, Salmoiraghi, Craftsman) and reusable pallet packaging, reducing labor dependency while shrinking the carbon footprint.
- Driven by these cost advantages and ramp-up of the ~347ktpa facility, we expect consolidated EBITDA margin to expand, from 7.5% in FY26 to 10.9% by FY28E; this translates into an aggressive ~63% EBITDA CAGR as EBITDA scales from Rs2.9bn to Rs7.6bn over FY26–28E.

Exhibit 286: Structural cost efficiencies from the Punjab facility...

Cost component	Silvassa	Punjab	Benefit
Power	Rs6/unit	Rs5/unit	Subsidized tariff
Heating	Gas	Rice husk biomass	Lower cost
Raw material freight	Higher	Lower	Close to Panipat
Finished goods freight	Higher	Lower	Near NCR and Ludhiana

Source: Company, Emkay Research

Exhibit 287: ...to boost EBITDA by ~63%



Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarqueresolutions.com)

Foot on the growth pedal

Scaling-up core operations via high-value specialty yarns

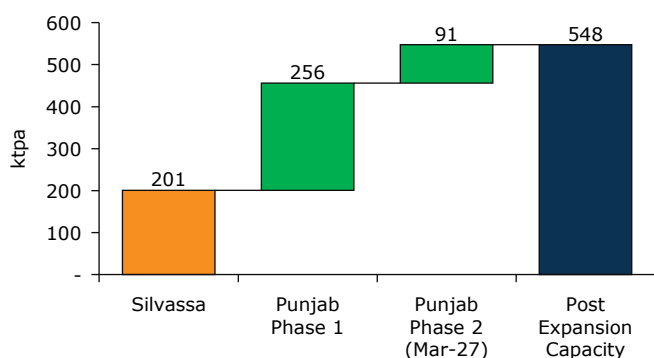
■ Punjab facility Phase-2 (~91ktpa)

- This expansion will increase the Wazirabad facility's total polymerization capacity, from ~256ktpa to ~347ktpa.
- A crucial advantage of this phase is its high operating leverage; the foundational infrastructure, including 80 acres of land, power utilities, polymerization systems, and automated warehousing was pre-built during Phase 1, to support the full ~347ktpa capacity.
- Consequently, this phase requires relatively lower incremental capex (~Rs1.5bn), with commissioning targeted for Mar-27.

■ Technical Textiles expansion

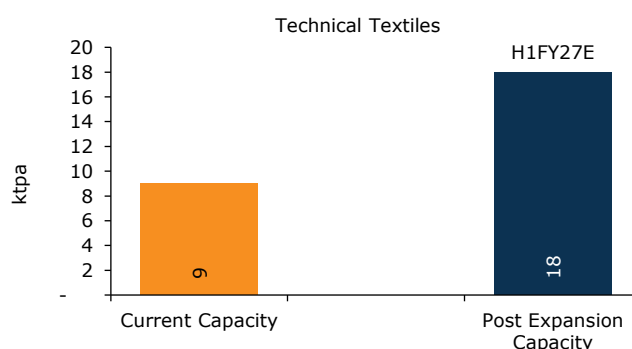
- STL is on track to increase its technical textile capacity by 2x, from 9ktpa to 18ktpa by H1FY27E.
- This expansion was strategically shifted from Punjab to the existing Silvassa facility, for leveraging its backward integration and specialized infrastructure.
- The project, entailing a cost of ~Rs800mn and funded through internal accruals, positions the company to capture higher-value specialty demand in sectors such as automotive (seat belts, airbags), industrial (conveyor belts), and geotextiles.

Exhibit 288: Polyester capacity bridge



Source: Company, Emkay Research

Exhibit 289: Technical textiles capacity expansion

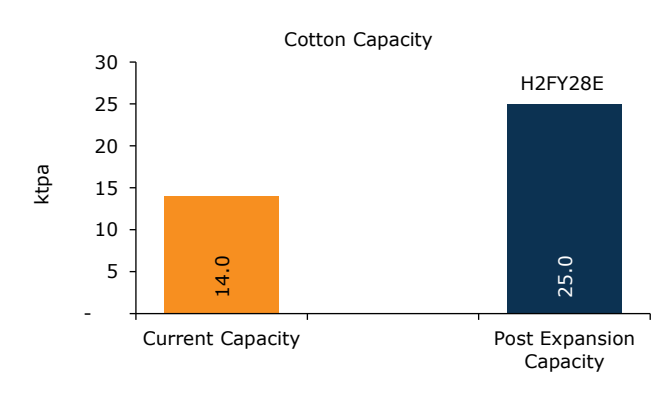


Source: Company, Emkay Research

Geographic diversification and cotton segment expansion in Madhya Pradesh

- STL is establishing a new manufacturing unit in Dhar, Madhya Pradesh, featuring 73,000 spindles. This move diversifies STL’s production base outside its traditional hubs in Silvassa and Punjab, tapping into a state with a deep-rooted cotton heritage and a highly supportive textile ecosystem.
- Located within the PM MITRA Park, the project benefits from subsidized land (49 acres) and competitive power tariffs at Rs4.5/unit (lower than that of both Silvassa and Punjab).
- The project involves capex of Rs4.0-4.5bn, and is expected to be fully operational by H2FY28E. The Dhar facility has an estimated annual revenue potential of Rs4.5-5bn and is projected to have a payback period of ~6-6.5 years (factoring in the state government incentives; implies ~15% IRR).

Exhibit 290: Cotton capacity expansion



Source: Company, Emkay Research

Exhibit 291: Dhar facility – Project economics snapshot

Metric	Details
Capex	Rs4.0–4.5 bn
Spindles	~73,000
Expected Operational Date	H2FY28E
Revenue Potential	Rs4.5-5.0bnpa
Payback	~6–6.5 years
Location	Dhar, Madhya Pradesh

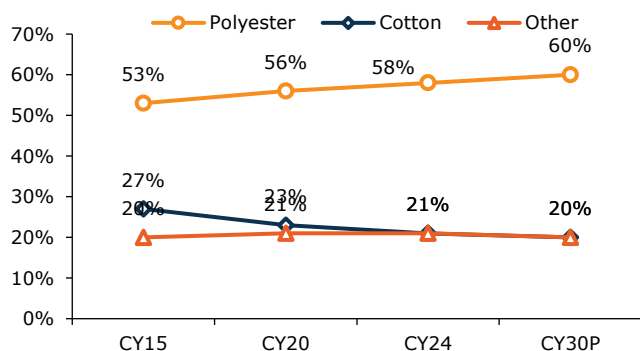
Source: Company, Emkay Research

- At optimal utilization, we estimate that such investments will generate incremental revenue of ~Rs13bn, driving the next leg of scale-led earnings growth.

Play on India's MMF growth story

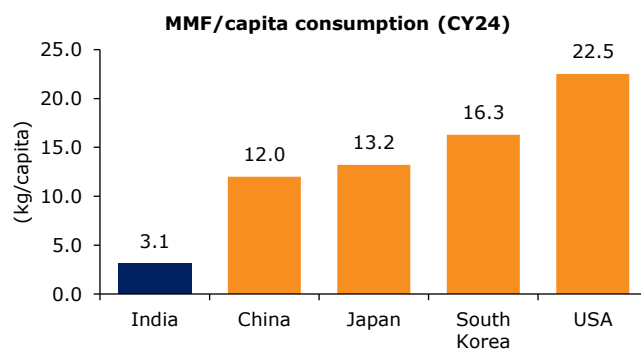
- India's per-capita MMF consumption remains structurally low at ~3kg vs >10kg for global peers (China, Japan, etc) due to a mix of cost, climate and structural demand factors.
- With cotton production facing inherent constraints (acreage, weather, policy), we believe MMF will drive the next leg of India's textile growth and expect the per-capita consumption gap with global peers to narrow meaningfully over the mid-term.

Exhibit 292: MMF consumption is expected to rise in India...



Source: Industry, Emkay Research

Exhibit 293: ...on the back of low per capita consumption



Source: Industry, Emkay Research

- This convergence is underpinned by a series of recent policy and supply-side developments that simultaneously address the three structural bottlenecks of the MMF value chain: 1) demand affordability, 2) raw-material cost, and 3) feedstock availability.

Exhibit 294: Policy and supply-side levers driving India's MMF penetration

Lever	Development	Impact
Demand affordability	GST on MMF and yarns cut, from 12% to 5%	Corrects tax inversion; boosts affordability across 'fiber to fashion', unlocking demand in price-sensitive tier-2/3 markets
Raw material cost	QCO removal (late-2025)	Access to globally competitive raw material lowers procurement costs and aids margin normalization, despite near-term volatility
Feedstock availability	~5.6mtpa of PTA capacity additions by FY28E (IOCL, GAIL, RIL)	Reduces import dependence, strengthens feedstock security, and keeps domestic PTA prices benign over the next two fiscals

Source: Industry, Emkay Research

- The proposed EU and UK FTAs would sharply cut tariffs, expanding the playing field for Indian MMF players in high-value export markets. Additionally, India enjoys at least a ~8% tariff advantage over China in the US (additional duty u/s 301), giving it further headroom to grow. We thus expect MMF demand to grow at 7-8% over FY26-28E.

Exhibit 295: Tariff levied on textile-exporting countries

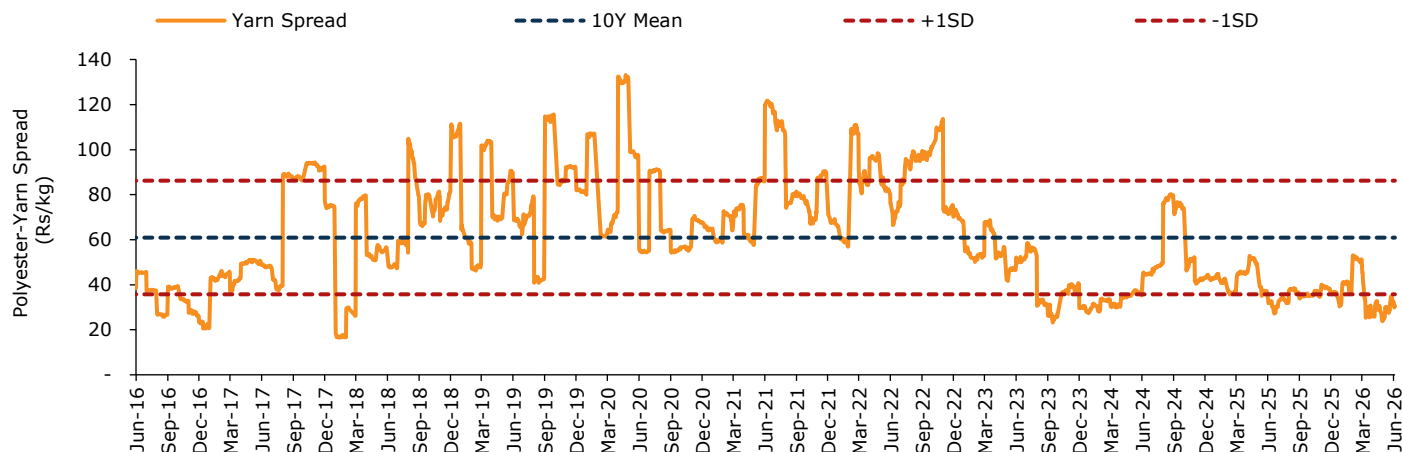
From/To	US pre-tariff (MFN)	US post-tariff (May 2026)	EU	Japan	UK	Canada
China	16.5-32%	~34-50%	~12%	~9-13%	~12%	~16-18%
Bangladesh	16.5-32%	~26.5-42%	0%	0%	0%	0%
Vietnam	16.5-32%	~26.5-42%	0-3%	0%	0-3%	0%
Ethiopia	16.5-32%	~26.5-42%	0%	0%	0%	0%
Kenya	16.5-32%	~26.5-42%	0%	~7-13%	0%	~16-18%
Indonesia	16.5-32%	~26.5-42%	~12%	0%	~9.6%	~16-18%
India	16.5-32%	~26.5-42%	~12%→0%	0%	~12%→0%	~16-18%

Source: Industry, Emkay Research; Note: US MFN ranges from ~16.5% (cotton apparel) to ~32% (MMF apparel); US post-tariff = MFN + 10% u/s 122 (applicable till 23-Jul-26; China attracts an additional 7.5% u/s 301); India EU duty falls to 0% once the FTA is ratified by the EU parliament (12-15 months); UK's import duty on India will fall to 0% on FTA coming into force (expected in 2HCY26)

- On profitability, polyester spreads appear to have bottomed out, as the crude-led surge in PTA prices (up by 32% to ~Rs90/kg) has compressed spreads by ~40% to Rs30/kg, well below -1SD of the 10Y average.

- However, decrease in crude price and given the upcoming domestic capacities, PTA prices are set to soften; we expect a meaningful recovery in spreads ahead which would hence increase margins for yarn makers.
- With >80% of revenue from polyester, STL is well-placed to ride this opportunity. With its new capacity already at optimum utilization, STL is likely to gain market share in the northern market (~1mtpa) and drive margins through operating leverage.

Exhibit 296: Polyester spreads are below -1SD; easing West Asia tensions should drive a recovery



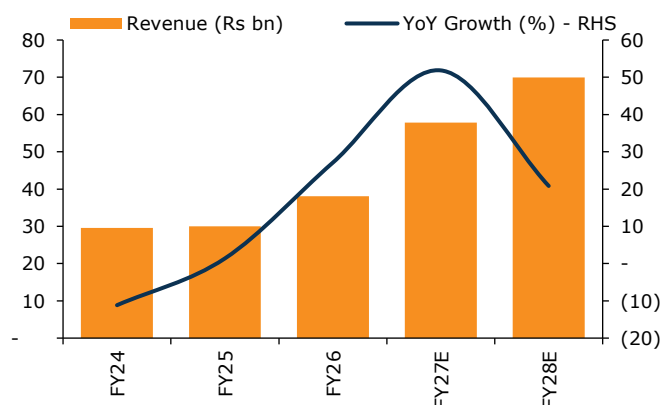
Source: Industry, Bloomberg, Emkay Research

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Financial Analysis

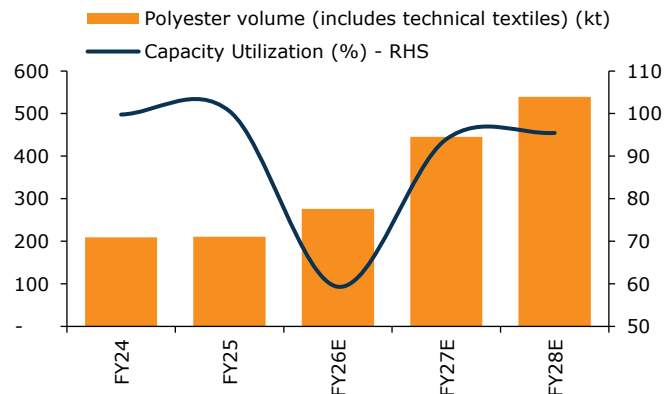
- We expect STL's revenue CAGR at ~35% over FY26-28E (vs ~10% over FY20-26), led by ramp-up of the new Punjab capacity. Polyester (including Technical Textiles segment) volumes are projected to nearly double, from 276kt in FY26 to ~540kt by FY28E, with utilization recovering from 59% in FY26 (fresh capacity commissioning) to ~94-96% by FY27-28E, indicating strong demand absorption.

Exhibit 297: Annual revenue growth trend



Source: Company, Emkay Research

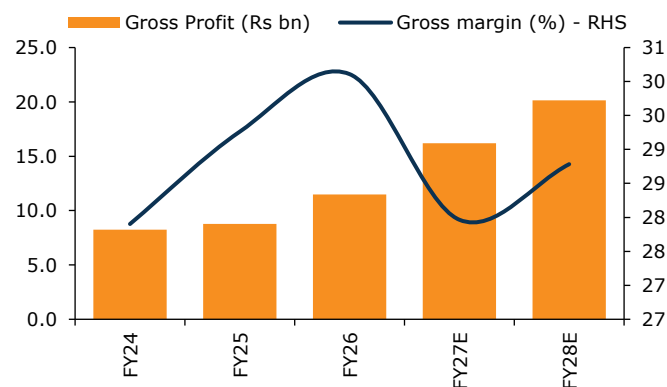
Exhibit 298: Polyester volume and capacity utilization trends



Source: Company, Emkay Research

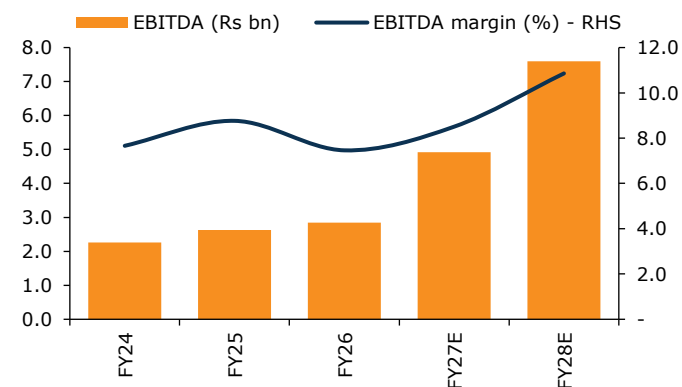
- We project ~63% EBITDA CAGR over FY26-28E (from Rs2.9bn now to Rs7.6bn), with margin expanding by ~340bps, from 7.5% in FY26 to 10.9% in FY28E. This would be led by 1) the sharp polyester volume ramp-up, 2) operating leverage, and 3) structural cost savings at the Punjab facility (on power, logistics, automation).

Exhibit 299: Gross profit and margin trends



Source: Company, Emkay Research

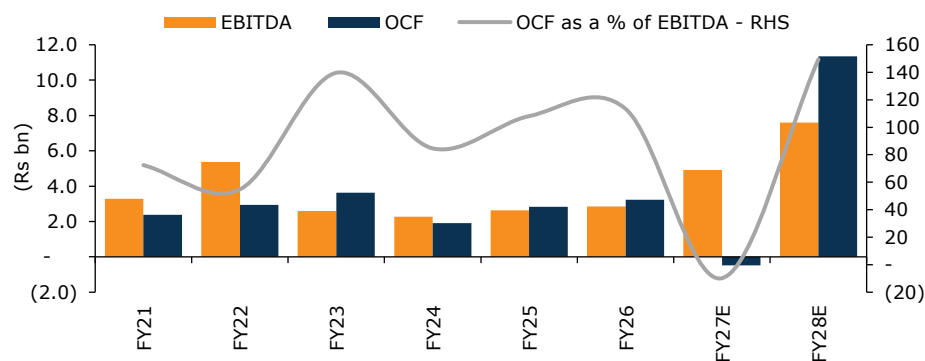
Exhibit 300: EBITDA profit and margin trends



Source: Company, Emkay Research

- OCF conversion has remained healthy (~85-115% of EBITDA over FY24-26); we expect negative OCF in FY27E, due to normalization of trade payables.
- With peak capex (Rs14.3bn in FY25) behind, FCF is expected to turn positive from FY28E (~27% FCF yield by FY28E), while the WC cycle is likely to be stable at ~9 days over FY26-28E.

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Exhibit 301: OCF conversion trend

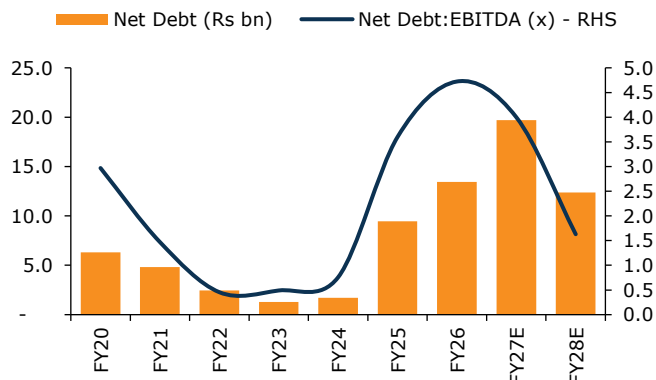
Source: Company, Emkay Research

Exhibit 302: Working capital cycle trend

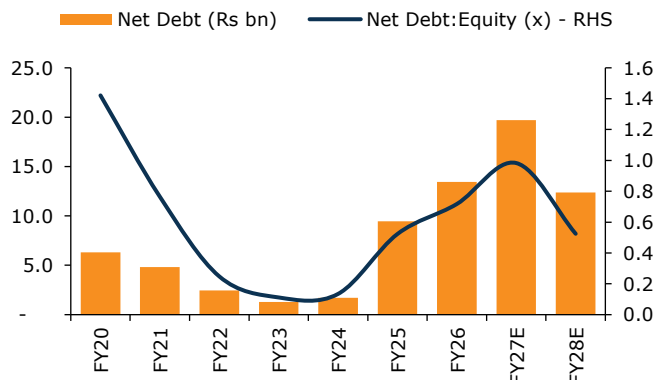
Working Capital cycle (no of)	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Receivables days	22	15	15	17	17	18	18	18
Inventory days	52	43	46	50	47	54	47	47
Payables days	57	40	39	50	56	76	56	56
WC days	16	18	22	16	8	(4)	9	9

Source: Company, Emkay Research

- Net debt peaks at Rs19.7bn in FY27E post-expansion; however, net debt/EBITDA improves steadily from 4.7x in FY26 to 4.0x in FY27E and 1.6x by FY28E, as earnings growth outpaces debt build-up.

Exhibit 303: Net debt-to-EBITDA trend

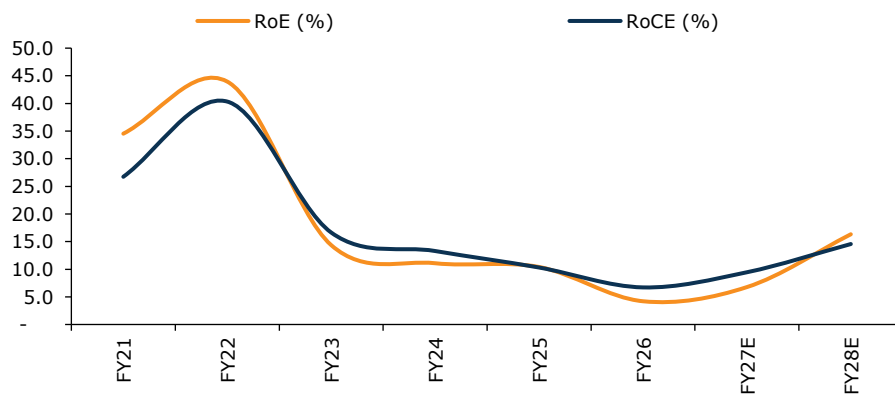
Source: Company, Emkay Research

Exhibit 304: Net debt-to-Equity trend

Source: Company, Emkay Research

- We expect RoE/RoCE to recover to 16.3%/14.6% by FY28E (from 4.2%/6.7% in FY26), respectively, driven by EBIT margin expansion (5.0% in FY26 to 8.4% in FY28E) and improved asset sweating of new capacities.

Exhibit 305: Return ratio trends



Source: Company, Emkay Research

Exhibit 306: DuPont analysis

Particulars	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
PAT/PBT (%)	73.5	74.2	72.9	73.8	74.1	67.4	77.0	78.8
PBT/EBIT (%)	87.7	96.7	96.9	99.6	99.8	60.0	50.1	77.1
EBIT/Sales (%)	15.0	15.6	6.5	6.2	7.2	5.0	5.9	8.4
Asset Turnover (x)	1.3	2.0	2.1	1.8	1.7	2.2	2.0	1.8
Assets/Equity (x)	2.7	1.9	1.5	1.4	1.1	1.0	1.5	1.8
RoE (%)	34.5	43.9	14.4	11.1	10.4	4.2	6.8	16.3

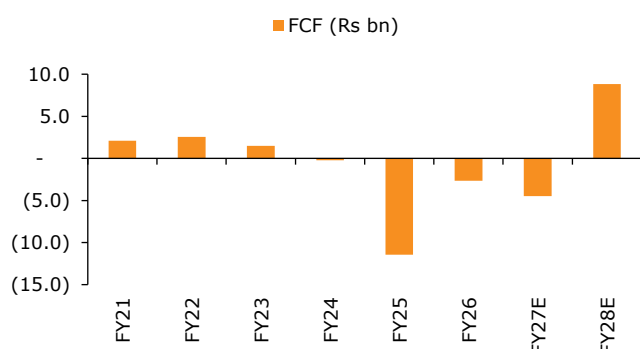
Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Cash Flow analysis

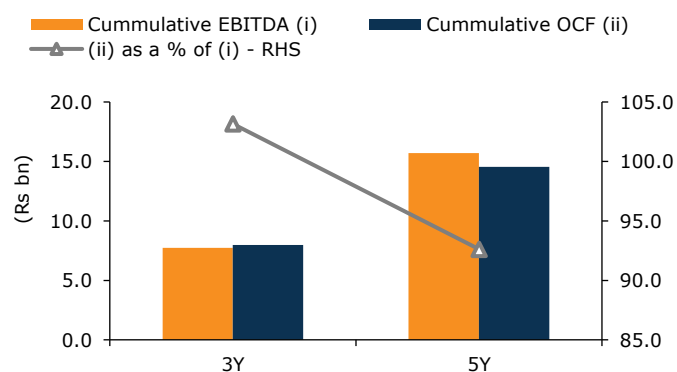
- **FCF generation:** STL generated operating cash flow of Rs14.6bn against capex of ~Rs25.2bn, resulting in cumulative negative free cash flow of ~Rs10.6bn over FY22-26.
- **FCF deployment:** The company funded this investment through incremental borrowings of ~Rs8.2bn and equity infusion of ~Rs3.7bn (Dec-24 IPO) over FY22-26. Consequently, net debt-to-equity rose to 0.7x in FY26 (vs 0.1x/0.5x in FY24/FY25, respectively).
- **FCF expectation:** FCF remained negative at ~Rs2.9bn in FY26. With peak capex now behind, we expect FCF to turn positive from FY28E, to Rs8.8bn, as utilization of the expanded capacities ramps up. We expect the cumulative finance costs over FY27E-28E to be Rs3.3bn.
- **Earnings quality:** Over FY22-26, STL reported cumulative EBITDA of Rs15.7bn against operating cash flow of Rs14.6bn – a strong cash conversion of ~93% of operating profit.

Exhibit 307: FCF trend



Source: Company, Emkay Research

Exhibit 308: Profit and OCF trend, in phases



Source: Company, Emkay Research

Exhibit 309: Contingent liabilities

Contingent liabilities (Rs mn)	FY21	FY22	FY23	FY24	FY25
Central excise matters	51	51	51	51	51
Service-tax matters	0	0	0	0	0
Income-tax matters	24	24	24	24	24
Goods and service tax matters	0	18	18	0	5
Sales tax matters	0	2	2	2	2
Others	0	0	0	0	735*
Total	75	96	96	77	816
<i>As a % of Net worth</i>	<i>11.8</i>	<i>9.7</i>	<i>8.4</i>	<i>6.0</i>	<i>45.1</i>

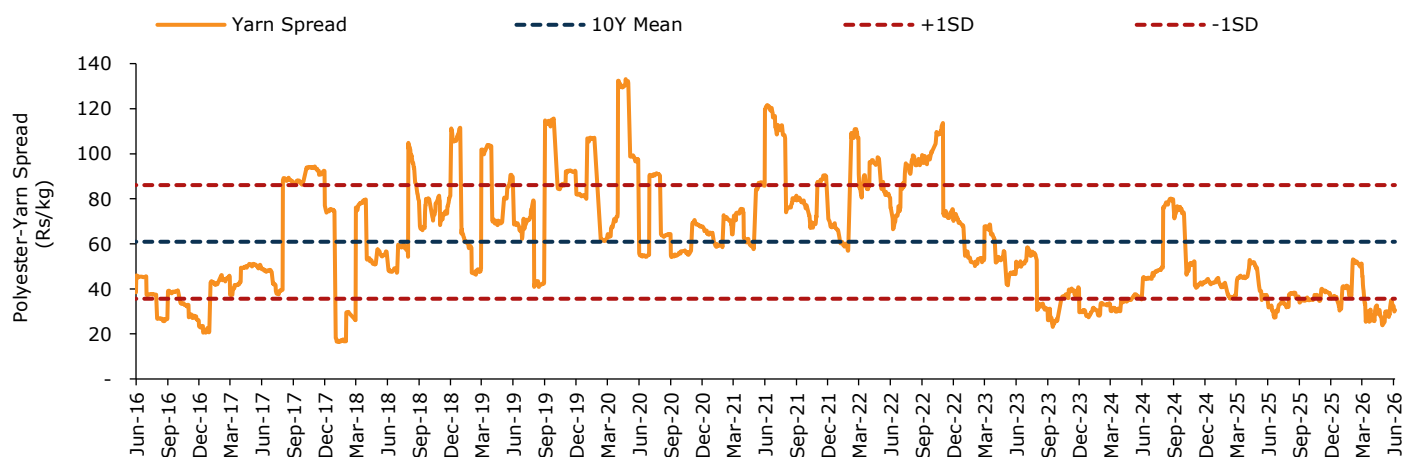
Particulars (Rs mn)	FY21	FY22	FY23	FY24	FY25
Remuneration to KMP	356.2	126.7	160.0	160.0	145.0
<i>As a % of PBT</i>	<i>14.1</i>	<i>2.6</i>	<i>7.6</i>	<i>8.8</i>	<i>6.7</i>
Auditors' remuneration	3.0	7.0	6.5	4.8	7.1
<i>As a % of PBT</i>	<i>0.1</i>	<i>0.1</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>

Source: Company, Emkay Research; Note: *one of the subsidiary companies has contingent liability toward customs duty of Rs734.7mn (31-Mar-24: Nil) for capital goods imported under the 'Manufacturing and Other Operations in Warehouse (MOOWR)' Scheme. The contingent liability becomes payable, in case an asset procured under the scheme is sold to a domestic party and the liability will be to the extent of the customs duty saved

Valuation and outlook

- STL completed its largest-ever capex over FY25-26 (~Rs20bn) toward the Punjab greenfield plant. This was funded via the Dec-24 IPO (~Rs3.7bn) and debt, which increased net debt-to-EBITDA to 4.7x in FY26 (vs 0.8x in FY24).
- With the commissioning Punjab Phase-1, STL's now plans a cumulative capex of ~Rs6.5bn over FY27E-28E which carries lower execution risk (the Punjab Phase-2 and Silvassa expansions are brownfield additions at existing sites), while the Dhar cotton spinning greenfield project is subsidized under the PM MITRA scheme.
- We expect EBITDA margin to expand, from 7.5% in FY26 to 10.9% by FY28E. This is driven by the polyester ramp-up and structural cost advantages at Punjab.
- Consequently, FCF is likely to turn positive from FY28E and scale up to Rs8.8bn, thus deleveraging the balance sheet to 1.6x net debt-to-EBITDA and improving RoE from 4.2% to 16.3%.
- Given the lack of valuation history (listed in Dec-24) and a limited listed peer-set, we align STL's valuation multiple just above that of cotton spinners.
- We ascribe 13x FY28E P/E, a 13% discount to its listing multiple owing to weak spot spreads and volatile crude oil prices, and arrive at TP of Rs550 (~39% upside); initiate with BUY.

Exhibit 310: Polyester spreads are below -1SD; easing West Asia tensions should drive a recovery



Source: Industry, Bloomberg, Emkay Research

Exhibit 311: Valuation summary

Particulars (Rs mn)	FY28E
Assumed P/E (x)	13
PAT	3,561
Equity Value	46,295
Shares o/s (mn)	84
Value per share (Rs)	550

Source: Company, Emkay Research

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

Key risks

Raw Material and Margin Volatility risk: Sanathan operates across polyester, cotton, and technical yarns, with polyester contributing ~80% of the total revenue. Polyester margins are directly linked to prices of PTA and MEG, while cotton yarn margins depend on domestic and global cotton cycles. Any sharp volatility in crude-linked inputs (for polyester) or cotton prices can compress spreads, especially when pass-through to customers is delayed.

Capacity ramp-up and Execution risk: Commissioning of the Punjab greenfield facility has nearly doubled the installed capacity. While this positions the company for scale-led growth, it also introduces a ramp-up risk. Initial phases have already carried one-time startup costs and margin pressure during stabilization. Achieving optimal utilization, maintaining product mix discipline, and absorbing incremental capacity without price dilution will be crucial. Any delay in demand pickup or slower-than-expected ramp-up could weigh on return ratios.

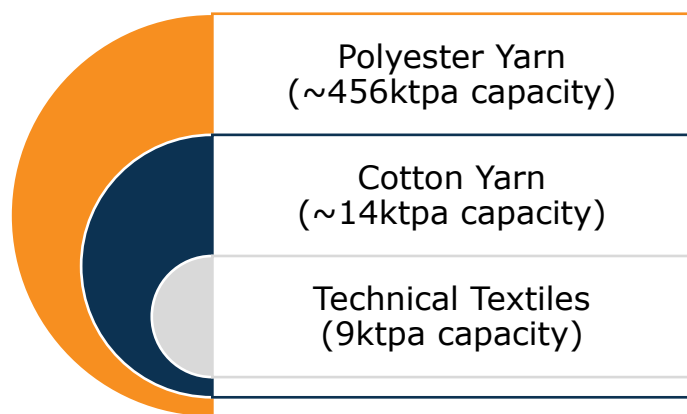
Demand cyclical and Regulatory sensitivity: The textile value chain is inherently cyclical and sensitive to global trade dynamics. Recent quarters saw impact on order volume due to elevated US tariffs, GST changes, and regulatory shifts like BIS QCO removal, which temporarily affected demand and margins. Although the management indicated normalization ahead, export demand (~4–10% historically) and domestic downstream consumption remain exposed to policy changes, global inventory cycles, and fashion-led demand volatility. Any prolonged slowdown could impact volume absorption.

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About the company

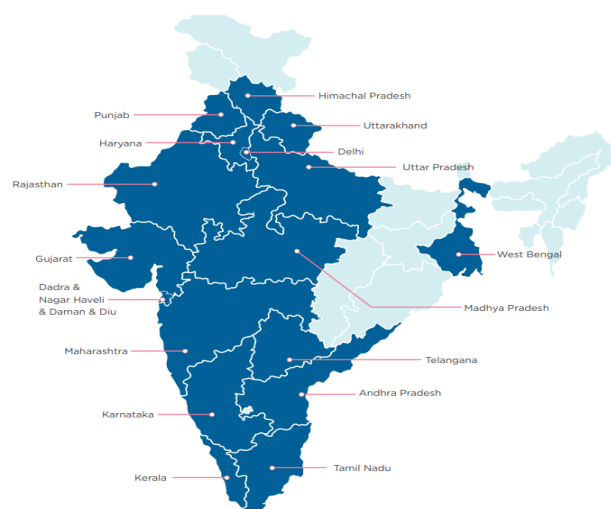
Sanathan Textiles (STL) is a fully integrated Indian yarn manufacturer with total capacity of 479,250mtpa across polyester yarn (456,250tpa), cotton yarn (14,000tpa), and technical textiles (9,000tpa). Its operations span from continuous polymerization to draw-texturizing, with a highly automated ~50-acre Silvassa facility (130,000 spindles) and a Punjab plant that expands polyester capacity and access to North Indian markets. The company offers >3,200 yarn products and ~50,000 SKUs (including FDY, DTY, recycled, dope-dyed, specialty, and high-tenacity technical yarns), serving applications from apparel and home textiles to geogrids and protective gear. With over 7,000 customers across India and 27 export markets, 700 distributors, and a 92% retention rate, STL positions itself as a diversified, value-added, ESG-focused yarn solutions provider.

Exhibit 312: STL's business verticals



Source: Company, Emkay Research

Exhibit 313: Domestic presence of Sanathan Textiles



Source: Company, Emkay Research

Exhibit 314: Contingent liabilities

Name	Designation	Background
Paresh Dattani	Chairman and Managing Director	A Science graduate from the University of Calcutta, Paresh Dattani oversees the overall performance and strategic direction, and provides guidance to KMP and the senior management. He also serves as a partner at Ramniklal Nandlal Bros and has more than 40 years of experience in the textile industry.
Ajay Dattani	Joint Managing Director	Ajay Dattani manages operations and expansion of the cotton division and oversees finance, production, and compliance. He holds a BCom (Hons) from the University of Calcutta and has more than 20 years of experience in the textile industry.
Anil Dattani	Executive Director	Anil Dattani oversees various functions of STL such as inter alia corporate social responsibility and administration. He holds a Bachelor's degree in commerce from the University of Bombay.
Sammir Dattani	Executive Director	Sammir Dattani leads the Fully Drawn Yarns (FDY) business and oversees procurement of polyester raw materials, while also driving corporate strategy, branding, and digital transformation initiatives across the company.
Vinay Aggarwal	Independent Director	A Chartered Accountant and commerce postgraduate from the University of Mumbai, Vinay Aggarwal oversees financial management and strategy, with prior experience across companies including Bombay Dyeing, ICICI Prudential Life Insurance, Vodafone Idea, and L&T Finance.
Rupal Vora	Independent Director	A member of the Institute of Company Secretaries of India, Rupal Vora holds degrees in commerce and law from the University of Mumbai and has over 8 years of experience in corporate secretarial, legal, and compliance functions.

Source: Company, Emkay Research

Sanathan Textiles: Consolidated Financials and Valuations

Profit & Loss					
Y/E March (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Revenue	29,575	29,986	38,112	57,873	69,934
Revenue growth (%)	(11.2)	1.4	27.1	51.9	20.8
EBITDA	2,266	2,628	2,844	4,922	7,593
EBITDA growth (%)	(12.7)	16.0	8.2	73.1	54.3
Depreciation & Amortization	444	459	931	1,526	1,732
EBIT	1,822	2,169	1,913	3,397	5,860
EBIT growth (%)	(15.7)	19.1	(11.8)	77.6	72.5
Other operating income	-	-	-	-	-
Other income	223	175	194	81	187
Financial expense	231	180	959	1,775	1,528
PBT	1,814	2,165	1,148	1,703	4,519
Extraordinary items	0	0	0	0	0
Taxes	476	560	375	392	958
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	1,338	1,605	774	1,311	3,561
PAT growth (%)	(12.4)	19.9	(51.8)	69.5	171.6
Adjusted PAT	1,338	1,605	774	1,311	3,561
Diluted EPS (Rs)	18.6	21.3	9.2	15.5	42.2
Diluted EPS growth (%)	(12.4)	14.5	(57.0)	69.5	171.6
DPS (Rs)	0	0	0	0	0
Dividend payout (%)	0	0	0	0	0
EBITDA margin (%)	7.7	8.8	7.5	8.5	10.9
EBIT margin (%)	6.2	7.2	5.0	5.9	8.4
Effective tax rate (%)	26.2	25.9	32.6	23.0	21.2
NOPLAT (pre-IndAS)	1,344	1,608	1,289	2,615	4,618
Shares outstanding (mn)	72	84	84	84	84

Source: Company, Emkay Research

Balance Sheet					
Y/E March (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Share capital	719	844	844	844	844
Reserves & Surplus	12,030	17,236	17,877	19,188	22,749
Net worth	12,750	18,080	18,721	20,032	23,593
Minority interests	-	-	-	-	-
Non-current liab. & prov.	775	809	839	839	839
Total debt	3,799	10,842	15,121	19,721	19,721
Total liabilities & equity	17,334	29,910	34,992	40,903	44,464
Net tangible fixed assets	9,265	9,309	28,166	26,966	33,884
Net intangible assets	25	15	9	9	9
Net ROU assets	-	-	-	-	-
Capital WIP	1,405	15,870	2,520	6,194	43
Goodwill	19	19	19	19	19
Investments [JV/Associates]	-	-	-	-	-
Cash & equivalents	2,083	1,385	1,690	34	7,347
Current assets (ex-cash)	7,010	7,189	13,567	14,695	17,862
Current Liab. & Prov.	4,703	5,371	12,145	8,179	15,866
NWC (ex-cash)	2,307	1,818	1,422	6,516	1,996
Total assets	17,334	29,910	34,992	40,903	44,464
Net debt	1,715	9,457	13,430	19,687	12,374
Capital employed	17,334	29,910	34,992	40,903	44,464
Invested capital	11,616	11,160	29,616	33,510	35,908
BVPS (Rs)	177.2	214.2	221.8	237.3	279.5
Net Debt/Equity (x)	0.1	0.5	0.7	1.0	0.5
Net Debt/EBITDA (x)	0.8	3.6	4.7	4.0	1.6
Interest coverage (x)	8.9	13.1	2.2	2.0	4.0
RoCE (%)	13.3	10.3	6.7	9.5	14.6

Source: Company, Emkay Research

Cash flows					
Y/E March (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
PBT (ex-other income)	1,814	2,165	1,148	1,703	4,519
Others (non-cash items)	(29)	(68)	(38)	0	0
Taxes paid	(364)	(585)	(486)	(392)	(958)
Change in NWC	(146)	738	767	(5,094)	4,520
Operating cash flow	1,917	2,840	3,224	(482)	11,342
Capital expenditure	(2,131)	(14,285)	(5,866)	(4,000)	(2,500)
Acquisition of business	-	-	-	-	-
Interest & dividend income	-	-	-	-	-
Investing cash flow	(2,453)	(13,416)	(6,314)	(4,000)	(2,500)
Equity raised/(repaid)	0	3,726	0	0	0
Debt raised/(repaid)	976	7,040	3,899	4,600	0
Payment of lease liabilities	0	0	0	0	0
Interest paid	(231)	(180)	(997)	(1,775)	(1,528)
Dividend paid (incl tax)	0	0	(17)	0	0
Others	-	-	-	-	-
Financing cash flow	745	10,587	2,885	2,825	(1,528)
Net chg in Cash	209	11	(205)	(1,657)	7,314
OCF	1,917	2,840	3,224	(482)	11,342
Adj. OCF (w/o NWC chg.)	2,063	2,102	2,457	4,612	6,822
FCFF	(213)	(11,445)	(2,642)	(4,482)	8,842
FCFE	(444)	(11,624)	(3,601)	(6,257)	7,314
OCF/EBITDA (%)	84.6	108.1	113.4	(9.8)	149.4
FCFE/PAT (%)	(33.2)	(724.5)	(465.5)	(477.1)	205.4
FCFF/NOPLAT (%)	(15.9)	(711.7)	(205.1)	(171.4)	191.5

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E March	FY24	FY25	FY26	FY27E	FY28E
P/E (x)	21.2	18.5	43.1	25.4	9.4
EV/CE(x)	1.8	1.5	1.4	1.3	1.1
P/B (x)	2.2	1.8	1.8	1.7	1.4
EV/Sales (x)	1.0	1.4	1.2	0.9	0.7
EV/EBITDA (x)	13.3	16.3	16.4	10.8	6.0
EV/EBIT(x)	16.5	19.7	24.5	15.6	7.8
EV/IC (x)	2.6	3.8	1.6	1.6	1.3
FCFF yield (%)	(0.7)	(26.7)	(5.6)	(8.5)	19.3
FCFE yield (%)	(1.3)	(34.9)	(10.8)	(18.8)	21.9
Dividend yield (%)	0	0	0	0	0
DuPont-RoE split					
Net profit margin (%)	4.5	5.4	2.0	2.3	5.1
Total asset turnover (x)	1.8	1.3	1.2	1.5	1.6
Assets/Equity (x)	1.3	1.5	1.8	2.0	2.0
RoE (%)	11.1	10.4	4.2	6.8	16.3
DuPont-RoIC					
NOPLAT margin (%)	4.5	5.4	3.4	4.5	6.6
IC turnover (x)	2.5	2.6	1.9	1.8	2.0
RoIC (%)	11.5	14.1	6.3	8.3	13.3
Operating metrics					
Core NWC days	28.5	22.1	13.6	41.1	10.4
Total NWC days	28.5	22.1	13.6	41.1	10.4
Fixed asset turnover	1.7	1.7	1.3	1.5	1.6
Opex-to-revenue (%)	20.2	20.5	22.6	19.5	17.9

Source: Company, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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