Management Discussion

Satya Prakash Mishra - Head of Investor Relations, Arvind Ltd
Good morning, everyone. A very warm welcome to Arvind Limited's earnings call for the quarter ended June 2026. The financial results and investor presentations have been uploaded to our website, and I hope you have had enough time and opportunity to review them.

Before we begin, let me introduce the leadership team joining me today. Mr. Punit Lalbhai, the Vice Chairman; Mr. Jayesh Shah, Whole-Time Director and Group CFO; Mr. Nigam Shah, Executive Director and CFO of Arvind Limited; Mr. Gurpreet Singh Bhatia, CEO and President of Advanced Material Business; Mr. Karan Ojha, CEO of Wovens Business.

The first quarter of the year was an action-packed one for the company. We began FY27 with encouraging momentum supported by robust demand across our key businesses. During the quarter, the business environment was influenced by evolving geoeconomic developments, realignment of global trade flows, and elevated input costs across several raw material categories in our businesses. Notwithstanding these external headwinds, demand across all our core businesses remains very healthy, reflecting strong customer partnerships and sustained market engagement. Coming to the operational performance during the quarter, the quarter witnessed healthy volume momentum across our four textile businesses, supported by robust demand conditions, higher vertical integration, and higher investment in product innovation. Denim fabric volume reached 17.5 million meters, the highest level in 16 quarters, registering a growth of 34%. Woven fabric volume stood at 31.2 million meters, up 7% despite the seasonally weaker quarter, while the garmenting volume crossed 11 million pieces for the first time, recording a growth of 13%, supported by a healthy demand and higher verticalization.

On the strategic front, we have strengthened our global footprint by establishing a physical presence in the UK through a design gallery cum marketing office in London, supported by a dedicated on-ground representative to enable deeper and more consistent customer engagement throughout the year. We have also partnered with a garmenting manufacturing unit in Bangladesh and Egypt to diversify our manufacturing base and enhance supply chain resilience. Together, these initiatives will deepen customer proximity, broaden our global capabilities, and further strengthen our international presence. Advanced Materials business also delivered a strong quarter, with India business reporting a robust growth of 40% supported by a broad-based growth across key segments. The human protective gear segment benefited from normalization in defense procurement activity in India and easing up of tariff related pressures in US to help increase demand from that geography, resulting in a strong growth during the quarter.

The Composite business continued its positive momentum, supported by increased demand from renewable energy and mobility and mass transport applications. The mobility segment, in particular, witnessed a strong traction, driven by new customer additions. The Industrial segment experienced relatively low growth during the quarter due to a higher capacity utilization. Higher capacity utilization is on account of some of our incoming capex programs has not come online yet. This is expected to go better in the coming quarters. The underlying demand environment, though, remains very healthy, and we continue to see encouraging opportunities across the segment. Overall, the Advanced Materials business maintained a healthy growth trajectory supported by operating leverage and improved business mix and broad-based demand across key markets.

Now coming to the financial performance for the quarter. Consolidated revenue stood at INR2,501

crore with EBITDA of INR258 crore, representing a growth of 25% and 39%, respectively. Excluding the contribution from Dalco-GFT, revenue and EBITDA stood at INR2,344 crore and INR234 crore, respectively, reflecting a very healthy growth of 17% and 26%. EBITDA margin during the quarter improved by 104 basis points to reach 10.3%, supported by operating leverage, and improved business mix, and continued execution discipline. At the segment level, the Textile division reported a revenue of INR1,735 crores with a growth of 13%, with an EBITDA of INR139 crore. The Garmenting division reported a revenue of INR497 crores, supported by 13% volume growth, and revenue growth was moderated by higher contribution from value segment product during the quarter. The Advanced Material business reported its highest-ever quarterly revenue and EBITDA of INR650 crore and INR97 crore, respectively, maintaining an EBITDA margin of 15%. The India business delivered revenue of INR493 crore and EBITDA of INR74 crore, reflecting robust growth across key segments.

With respect to Dalco GFT, the business contributed revenue of INR157 crore and EBITDA of INR24 crore during the quarter, representing approximately 1.8 months of operations post acquisition. EBITDA margin stood at 15.1%, impacted by elevated raw material costs during the period. Full quarter Dalco-GFT delivered a revenue of INR244 crore and EBITDA of INR40 crore, translating into an EBITDA margin of 16.3%. Profit after tax for the company stood at INR80 crores, registering growth of 47% during the year. In terms of capital allocation and balance sheet, we continue to maintain a disciplined and prudent approach. Over the past several years, the company has materially strengthened its balance sheet through focused capital allocation, rationalized debt profile, and efficient capital structure, and consistent free cash flow generation. During the quarter, we have invested roughly about INR98 crores across various growth-oriented capital expenditure programs in line with our long-term strategic priorities and future growth plan.

Very happy to inform you all that we have successfully completed our maiden QIP of INR500 crore, which witnessed strong investor interest and was oversubscribed multiple times. The issue saw participation from several marquee institutional investors, further strengthening company's shareholder base and reflecting confidence in our long-term strategy and value creation potential. The proceeds from the QIP are being primarily utilized towards debt reduction and balance sheet strengthening, which will further enhance financial flexibility and support future growth initiatives.

Looking ahead, the implementation of UK FTA and the gradual improvement in domestic demand are expected to create incremental growth opportunities for the textile sector. Demand remains resilient across both Textile as well as Advanced Materials, supported by a healthy order book and sustained customer engagement despite the prevailing uncertainties in the operating environment. Within Advanced Materials, the defense-allied segments continue to gain traction, and we maintain focus on expanding our presence in high-value customer programs and differentiated applications. At the same time, elevated raw material costs and supply-side challenges continue to exert pressure on profitability. We are actively pursuing mitigation initiatives, including strategic sourcing and customer-led pricing intervention to maintain margin resilience.

To conclude, we are pleased with a strong start to FY27 marked by broad-based growth across our businesses, continued momentum in Advanced Materials, and the successful acquisition of Dalco-GFT, which further strengthens our technical textile platform. While the operating environment remains very dynamic, our diversified portfolio, strong customer relationship, and disciplined execution positions us well to capitalize on growth opportunities and create long-term value for stakeholders.

I'll now hand over the call to Mr. Punit Lalbhai to give his opening remarks.

Punit Lalbhai - Vice Chairman, Arvind Ltd
So, good morning, everyone. It's a pleasure to be here and interact with all of you. Satya has mentioned all the events that happened in quarter one in great detail, so I won't dwell on the same, but I'd like to say that this quarter, from a qualitative lens, was extremely challenging and action-packed at the same time, and I think the team has done fantastically well to deliver the kind of volumes that we've delivered. Both on the fabric side and the advanced material side, we have historic high levels of production, which took some very, very strong execution to deliver. And only for that reason are we in such a great position. Because if you look at the war impact this time, it has been quite significant, and almost INR100 crores worth of inflation in input cost happened in a very short period of time. So about INR100 crores in H1 would be the overall impact in just cotton and yarn, and on top of that, there would be an impact of all the petrochemical-related chemical costs. And therefore, it was essential to do a high volume to keep our absolute EBITDA where -- very close to our budgeted range. So I think the teams have done a fantastic job in ensuring this happens.

Of course, we are extremely excited with Dalco-GFT becoming a part of the Advanced Materials business, and the more we learn about that business, the more we are excited about its future and the more opportunities we see to sort of cross-pollinate and make the overall business a lot stronger with that US base now within the business.

So I think that's enough for the general commentary as of now. I'd like to throw open the floor for questions, and we can answer them to the best of our ability. Thank you.

Questions & Answers

Operator
We will now begin with the question-and-answer session. [Operator Instructions] The first question comes from the line of Aradhana Jain with 360 ONE Capital. Please go ahead.

Aradhana Jain - Analyst, 360 ONE Capital
Hi, thank you for the opportunity and congratulations on the good set of numbers. First, I wanted to understand on the textile side. The textile revenue grew 21%, but we saw margins declining to around 7.5%. Could you help us understand the margin bridge? Why there was a decline in the margins, and quantify how much was due to the higher raw material cost versus the product mix or, say, other factors? And more importantly, how should we think about the textile margin over the next two to three quarters as the raw material pass-through catches up? That's my first question.

Punit Lalbhai - Vice Chairman, Arvind Ltd
So I think the first thing to understand is Q1 is always a lower margin quarter. So compared to Q4, the margin will always look -- so last year, we were at an 8.4% EBITDA margin. This year, it's an 8% EBITDA margin across the textile vertical. And it could have been close to double digits, but for the sort of raw material escalations that happened within a short period of time. You see, our order books fill up three, four months in advance of the business, and the pricing gets fixed. It is then very difficult to sort of change that, and we wouldn't want to let market share go down, especially when we are on the growth trajectory. So we traded growth for margin, you could say. And I think this is a temporary phenomenon. As the year progresses, we have passed on and are in the process of passing on some of the price escalations. That said, of course, it is an uncertain environment, and

there is still --- the world is still not conflict-free. And till that happens, absolute certainty on the future is very difficult to predict. But all else being equal, as we progress towards the future, we should be able to improve these margins as the market catches up to the raw material escalation, the price -- our price -- product prices catch up to the escalation, and things normalize. So I would say we are about 1 basis points, 1.5 basis points off because of the overall war impact, and there's nothing more than that. The order book is extremely healthy, the demand scenario is holding up quite well, the teams have executed excellently. So I wouldn't read too much negativity into the set of textile margins that you see reported in this quarter.

Aradhana Jain - Analyst, 360 ONE Capital
And sir, in the garmenting side, our margins have been in the high single digits, and we are aspiring to move towards low double digits. By when can we expect that margins to move towards the low double digits number?

Punit Lalbhai - Vice Chairman, Arvind Ltd
I think that will still be a journey of, say, 18 to 24 months because we're constantly adding capacity at the same time. So while the older plants are scaling nicely and some of the plants are already at double-digit margins, whereas there are more plants moving from low single digit to high single digits. There will be plants that are coming in that will be at negative margins also. So because we are expanding rapidly, the margins will take, say, 18 to 24 months to cross into double digits.

Aradhana Jain - Analyst, 360 ONE Capital
Understood. My second question is on the denim side. Your denim volumes have significantly increased this quarter. How much of this reflects an improvement in the underlying industry demand versus how much could be because of, say, the market share gains or verticalization that we are doing? And can we expect this current run rate to sustain over the next couple of quarters? And where exactly is our capacity utilization in denim?

Punit Lalbhai - Vice Chairman, Arvind Ltd
So in denim, we're also sort of creating some new capacity through an asset-light model where we're tying up with sort of non-functional assets that are available in the market, and running them ourselves. So, in fact, demand, we see robust going forward. I think the current trajectory looks quite positive, and at least till the end of the year we don't see any pressure on volumes. So the opportunity is to utilize -- so our asset base is already at 100%, and we are also working on increasing our sort of leased assets where we will take over management of a few assets and run them as if they are our own assets. So currently not much of that has happened, but in the future, we are also exploring those options as well. So it's a good demand cycle and we are trying our best to take advantage of it. And so, far we are proving to be reasonably successful.

Aradhana Jain - Analyst, 360 ONE Capital
Understood. Just last question from my side on the AAML India business, two things that catched my eye was -- one was your human protection growth and the second was composite growth. If you could just help us understand what led to that kind of growth. While I understand that there was some defense orders that normalized and easing of US tariff pressures also helped us to get to that 39% kind of growth that we delivered in human protection. But if you could help us understand how is the order book pipeline looking like and what sort of growth should we expect for the rest of the year. And similarly for composites also, how much of the 76% growth came in because of the 4Q

shipment spillover that happened, and how much is a sustainable rate that we can expect in the composite side as well? Yeah, that's it.

Gurpreet Singh Bhatia - Chief Executive Officer and President of AAML, Arvind Ltd
So hi. Good morning. This is Gurpreet. So the way to look at it is, last year our quarter one, amidst all the tariff uncertainty, was the softest quarter in the last five quarters. If you normalize that softness, we are in the ballpark 25%, 30% kind of a growth. Coming to your specific question on the accelerated higher growth on human protection and composites. Last year, for six months, we had very high softness because of the external environment on defense in India, which started to normalize in quarter three onwards. We started investing efforts to broad base our customer base in defense and paramilitary during that period last year, and we are seeing that benefit accruing to us as commercial and business benefit in this quarter. So our customer base across all defense services and paramilitary services has expanded, and we are on that path. Some of the investments we made on defense to upgrade our portfolio to superior products are also going to see commercial realization in the coming quarters. Third area on defense as a focus area is global defense. We started to look at that business quite seriously, and that would be another development over the next 12 to 18 months. Composites again had a very soft last year quarter one due to the uncertainty in Middle East, because Middle East is one of our focus markets for infrastructure development. We had delayed execution of some quarter four orders. I would say that number is about 10% of the revenue for the quarter, which got implemented in quarter one. We still have some pending orders to execute, which we are hoping to execute in quarter two. Overall, normalized, I would say on revenue, high teens to 20%, thereabouts, for the full year is what we will look like. However, on margins, EBITDA margins, we will deliver a growth higher than the 18%, 20% on revenue because of all the operational efficiency programs that we've implemented over the last three, four quarters.

Punit Lalbhai - Vice Chairman, Arvind Ltd
So, in summary, I would say that the growth rate is a result of hard work. I think it is sort of very high in quarter one because the comparative quarter last year was lower than normal. And I think the way we should think about this performance is that things are going in the right direction and we are on track to achieving that 18%, 20% medium-term sort of growth target that we've been constantly guiding towards. So we can say that our efforts are paying dividends in that direction.

Aradhana Jain - Analyst, 360 ONE Capital
Understood. Just one last bookkeeping question, if I may. Your net debt has increased this quarter to around INR2,100 crores following the acquisition. After applying the INR500 crores of QIP proceeds towards your -- a part of it towards your debt reduction, where should we expect the net debt to settle for the full year? Yeah, if you could just highlight on that.

Punit Lalbhai - Vice Chairman, Arvind Ltd
So it will settle exactly INR500 crores below where it is today. But the way to think about it is that the INR450-odd crores that we've taken in the US will get serviced by the US entity, and -- so the India business will come very close to the debt levels before the Dalco acquisition. So this INR500 crores essentially cancels out the additional debt that we've taken on the India entity to finance the acquisition. So broadly, our debt levels are back to historic levels, and Dalco has a healthy cash flow generation in the US, which will be able to more than service its debt and its higher growth ambitions and capex for that purpose. So I would say we are very comfortable on it, especially after the fundraise.

Aradhana Jain - Analyst, 360 ONE Capital
Speaker A-Aradhana Jain

Understood. I'll join back the queue for follow-ups. Thank you so much.

Operator
Participants, in the interest of time and fairness to others, please restrict yourselves to two questions. For any more questions, you may rejoin the queue. The next question comes from the line of Soham Samanta with Motilal Oswal Financial Services. Please go ahead.

Soham Samanta - Analyst, Motilal Oswal Financial Services
Yeah, thanks for the opportunity. Sir, I just wanted to check our garmenting target because we are expecting 15% growth in FY27, but obviously this quarter we couldn't do that. So I just wanted to check on a full-year number, how we are looking at the garmenting growth for FY27?

Punit Lalbhai - Vice Chairman, Arvind Ltd
We should come close to that. If not 15%, it'll be in the high -- I mean, close to that. It should be close to that. See, the first quarter was a quarter that was heavily indexed towards the knits product. So though we did a high number of pieces, the ASP was small. And denim, which is our highest ASP product, a lot of those dispatches sort of shifted to Q2. So it is, I think, rather than looking quarter to quarter, we should sort of look at the yearly journey. So you're asking the right question, and we should be close to the number that where we want to be on current visibility. So I wouldn't read too much into this quarter, it's just ---.

Soham Samanta - Analyst, Motilal Oswal Financial Services
And sir, one follow-up in this garmenting. So when we're talking this 7.5% margin this quarter. So assuming the raw material is where is it right now. So if we take the raw material right now and if we take next three quarters, so is it fair to assume that high single-digit or maybe low double-digit margin will exit by Q4?

Punit Lalbhai - Vice Chairman, Arvind Ltd
I think it will take one more year to get into double digits, so -- or at least one and a half years from today to get into. So, middle of next year is where you should start looking for that double-digit in garments. Our focus more is to ensure that our growth hits where it needs to hit, our execution is on point, customers are happy, and our new factories are coming on stream at the speed at which they need to. So I think that's the heavy lifting that needs to be done in garmenting. And I'm happy to report that the trend line is positive. We are doing better than last year in terms of margin as well, slightly, but it is better than last year, and our plans are going according to how we have budgeted internally.

Soham Samanta - Analyst, Motilal Oswal Financial Services
And sir, last question on AMD business. So when you're expecting 18% to 20% kind of growth. So -- this is the India business, I'm assuming, so what is the Dalco number we're looking? And overall margin, if I compare AMD plus Dalco, what are the margin we are looking in the range of 15% to 17%? That is the number we are looking for FY27?

Punit Lalbhai - Vice Chairman, Arvind Ltd
It will land there, right? Dalco will be slightly lower growth especially this year since we will have -- our first order of business is to integrate the business and we will have to start up the higher capex

cycle. So we're taking those decisions now. So this year should be in that 9%, 10% growth, but next year we're trying to push it into the teens with higher capex. So I think Dalco will start going towards that mid-teens level sometime next year because we are doing those capex's now, and it will take -- there is some lead time for that to come on stream.

Soham Samanta - Analyst, Motilal Oswal Financial Services
And sir, combined margin for this AMD plus Delco?

Punit Lalbhai - Vice Chairman, Arvind Ltd
It will be similar, right? So I mean, Dalco is in that 16%, 17%, which has come down slightly because of the petrochemical-linked raw materials. Similar problem as our textile business. So it should come back to that 16-plus percent as our pricing to our customers catch up to the levels required. Right now, we had rapid raw material increase and already fixed pricing. So that normally takes a couple of quarters to catch up once the escalation is through and the new cycle of orders comes in at the higher price.

Soham Samanta - Analyst, Motilal Oswal Financial Services
Okay, sir, thank you. Thank you so much.

Operator
The next question comes from the line of Surya Naik with Sunidhi Securities. Please go ahead.

Surya Narayan Nayak - Analyst, Sunidhi Securities
Yeah. Thank you for the opportunity, and also congrats on the great set of numbers. So could you guys -- just a couple of questions. One is that as we discussed last time, there were some lines to be added in the Dalco side. So if you can give some status as to what sort of lines we are currently operating and what sort of capex is lined up for in the Dalco side this year. And maybe terminal -- we have the terminal period; which would be ending debt lines. You said the -- date that the --.

Punit Lalbhai - Vice Chairman, Arvind Ltd
Clear --.

Operator
Sorry to interrupt, Surya. Your voice is not audible. Are you using a hands-free device?

Surya Narayan Nayak - Analyst, Sunidhi Securities
Just -- wait a minute. Now, clear?

Operator
A little better. You may go ahead, we'll tell you.

Surya Narayan Nayak - Analyst, Sunidhi Securities
Okay, okay. Thank you, thank you, thank you. So my question was, we discussed last time that we were actually about to increase certain lines in the Dalco, and if you can give -- quantify the kind of -- level of capex we are actually going to implement in Dalco side. And secondly, what is the utilization level there at the moment, and to what level -- because my understanding is that with the current running rate, we'll be hitting around close to INR900 crores of revenue there. So, whether we will be increasing the production to what level going forward? You just indicated that we have increasing the capacity on line from below [Technical Issues]

Operator
You are not audible, Surya. I would request your change your location.

Surya Narayan Nayak - Analyst, Sunidhi Securities
Hello?

Operator
Management, were you able to get his question?

Punit Lalbhai - Vice Chairman, Arvind Ltd
I understood the question. Let me answer it. The question is that what is the capacity at Dalco, and we were planning to increase that capacity, and how that capacity increase is going to happen. They are already functioning at high levels of capacity utilization. There might be some capacity that can come on stream through good work on efficiency improvement, which the team is doing. But there are two things that are happening. We have already invested in the upgradation of two of our seven lines. So those capex's should come on stream in -- within the next three to four months. That will give us a little bit of capacity towards -- starting towards quarter four. And then the bigger decision is firing line 8, which is under evaluation right now, and we are positively viewing it, but that decision will be taken in the next month or two. That will add significant capacity. So that will increase the capacity by almost 7%, 8% overall.

Surya Narayan Nayak - Analyst, Sunidhi Securities
So overall, what kind of revenue -- peak revenue we can expect from FY27?

Jayesh Shah - Whole-Time Director and Group Chief FInancial Officer, Arvind Ltd
'27 will be about -- between 100 million and 110 million somewhere we should land.

Surya Narayan Nayak - Analyst, Sunidhi Securities
Okay. That's right. Okay. And regarding the base repayment study, there whether -- because we can pay within three years -- three to four years as you last time said. So are we on track to reduce the debt [Phonetic] from Dalco there, or what you will be doing?

Punit Lalbhai - Vice Chairman, Arvind Ltd
I think we will repay the debt in five years. And there is enough cash flow to service interest, repay debt in five years, and do the capex's that we want to do. We don't want to sort of reduce our capex because that is very important for growth. So we will pay the term loan back in the term that it is required to pay it back.

Operator
The next question comes from the line of Prerna Jhunjhunwala from Elara Securities. Please go ahead.

Prerna Jhunjhunwala - Analyst, Elara Securities
Thank you for the opportunity and congratulations on strong AMD performance. So I had question on this partnership model that you are pursuing in the garmenting business. How should we look at it in terms of capacity addition, balance sheet investment, and revenue and margin opportunity that it would unfold for us?

Punit Lalbhai - Vice Chairman, Arvind Ltd
So it will require some investment, but it will require only a fraction of what it would require for a whole plant. Because we'll be taking -- we will be making only strategic investments to improve the functioning of those plants. Right now, it is quite early days, so you can say that it is an exciting opportunity, but I think it will take maybe -- this year we will sort of go conservative to ensure that we are able to execute before we try and sort of scale it up to a very large level. It is important to establish it well, and I think the important thing is that our first efforts have been quite successful. So I'm optimistic about this becoming a model that we will use. And sometimes we may also strategically invest something in these factories, but it will be a fraction of the overall balance sheet impact that a new plant would have.

This is -- this gives us capacity from multiple regions of the world, which is globally optimized. Each country has its strengths. And we would like to leverage that. Plus, our customers appreciate that we don't have all our eggs in one basket. So this ticks many boxes. However, the important thing is to do it right so that we don't make mistakes and all the benefits that we think we will get through this actually accrue and are not spoiled by execution-related failures. So we are going in a conservative yet optimistic way on this model. And I think as we go forward, more and more clarity will emerge on exactly how much of this will be. But it can easily, in my mind, be 20% of the overall business in the medium term. I don't want to give a fixed timeline by when it will reach that. But that's the kind of scale we are thinking overall. Maybe 30% if we are very successful. So that's how you should think about it. And I'll keep giving an update on how we are doing here.

Prerna Jhunjhunwala - Analyst, Elara Securities
I just -- actually, I was not looking at what kind of scale you will be achieving through this model; I just wanted to understand how should we look at it against the investment that you're doing in your own capacity? So what kind of return ratios you can make and what kind of margin should we look at it because it will not be similar to what you make in your own factory because it is shared or --.

Punit Lalbhai - Vice Chairman, Arvind Ltd
[Speech Overlap] our factories, there are no -- it is coming at marginal fixed cost, right, so there is much smaller fixed cost associated. So the return metrics will be very high on this sort of model. Because capital employed is very low. So return on capital employed will be high, maybe margin will be 2, 3 percentage points lower because two people's margins have to be accounted for, but it gives the customer de-risking, and it gives us the advantages of a new geography. And as I mentioned, each geography has its own strengths and own product signature, which we can also benefit from. So, overall return metrics, it will actually improve from a return on capital employed perspective. EBITDA margin will be slightly lower, and it can be in that high single-digit type level if all goes well.

Prerna Jhunjhunwala - Analyst, Elara Securities
Okay. The second question on denim. You're already at 17.5 million meters. And you mentioned you're running at almost full utilization. So is it ideal to assume that you are running at 7 -- your capacity is improved to 70 million meters currently from 60 million earlier or is there any disconnect?

Punit Lalbhai - Vice Chairman, Arvind Ltd
In some way or form, we are doing some debottlenecking type capex's that will help us do that. Karan, you want to give a perspective on the overall market and demand scenario, and where do you see denim orders being now and in the medium term?

Karan Ojha - Chief Executive Officer of Wovens division, Arvind Ltd
Sure, thank you for that, Punit bhai. And let me talk a little bit about the denim business first. As we all see, the denim business is at its all-time high in last so many quarters. The main reason for that is, first of all, geographical expansion that we have done, verticalization that has played in into the denim space that has been extremely important. Third is we going into multiple geographies through differential routes, giving customers the country of origin that they want. So we are going more closer to the customers. That gives them flexibility. That gives us flexibility of offering different kind of products from different geographies. Third is we are able to capitalize on the scale of the region. Fourth is that we have started to open up design hubs globally, which connects us better to the customer and in real time we are able to service the customers and close our development process, which is extremely important. So these design hubs coming up in multiple geographies.

We're strengthening our design hub in the US. We've added in UK. We're also looking at one or one locations in Europe looking at the EU FTA coming in place. So coupled -- you put all of these together, your verticalization happening, your product developments happening. We have gotten Japanese consultants and designers on board, so the product has become a little premium with our design hubs coming in, verticalization strengthening. I think all of this gives us very positive momentum for the next couple of quarters, I would say. Till the year-end, we have very good visibility on our denim business. Likewise, on the Wovens business also, this has been -- this is typically a lower quarter, quarter one. But if you see, we have clocked the highest-ever numbers in quarter one, which are typically seen in H2. So the volume has been extremely good. We have been taken a little bit on the lower side because of the sudden spike in raw materials, but that also is pretty much the strategy in place how we'll be back to our numbers in the medium term, but it will take some long-term time to get back to where we were. But yes, we see a very strong order pipeline, so that gives us sufficient -- enough confidence.

Prerna Jhunjhunwala - Analyst, Elara Securities
This is helpful. Just to follow up on this. Wanted to understand what is the role of Bangladesh over here, because Bangladesh is also facing issues with respect to power and other issues. Is that also helping our denim business procurement as their capacities run below normal utilization levels? And how -- what is our export share to Bangladesh currently?

Punit Lalbhai - Vice Chairman, Arvind Ltd
In denim, it is quite high. So maybe 50% of our denim goes to Bangladesh. So -- and Bangladesh is doing quite well. And we've entered a reasonably stable period. And our virtual sort of partnerships are also -- there's one of them is in Bangladesh. And the advantage that Bangladesh has is the garmenting capacity and the ability to scale that up a lot faster because of readily available labor. So that is the strength of Bangladesh. And we have been able to use that to our advantage. So Bangladesh will be important now and in the future. Of course, a lot of brands want to de-risk Bangladesh because their sourcing footprint is very high in Bangladesh. But because we will be multi-country, brands are willing to give us a higher ranking in terms of priority of what business they want to do through Bangladesh because we give them Bangladesh plus India plus maybe Egypt. So having that three-country kind of go-to-market is the -- it puts you out of the quota system in a way because it helps the customer reduce risk.

Prerna Jhunjhunwala - Analyst, Elara Securities
Understood. Thank you. I'll come back to the question queue for follow-up. Thanks so much for the

detailed answers.

Operator
The next question comes from the line of Rajat Baldewa with Kizuna Wealth. Please go ahead.

Rajat Baldeva - Analyst, Kizuna Wealth
Yeah. Hi sir, thanks for the opportunity. My first question on the demand side of the AAML business in India versus in Dalco, and what are the management's thought process regarding to increase the market share of the Dalco given that currently it's 4%? So how our thought process going on the Dalco side and what's the demand outlook in the US in mobility and in the filtration business?

Punit Lalbhai - Vice Chairman, Arvind Ltd
So if I understand -- your line wasn't very clear, but if I paraphrase your question, you are asking about demand in India and US, especially on Dalco.

Rajat Baldeva - Analyst, Kizuna Wealth
Yeah.

Punit Lalbhai - Vice Chairman, Arvind Ltd
Which is, you know, the -- what is our growth plan there? So I'll answer the Dalco question first. Our plan is to increase our -- to maintain our leadership in automotive, and bring new growth through the new capacity that is coming is -- needs to come through the geotextile business where there is a lot of potential growth that will happen in the US market because the infrastructure bill has been signed and there is a good amount of development happening on roads and products where geotextiles are consumed. So the growth will come through geotextiles, and we have to maintain leadership in auto, and we have to start the process of taking our filtration business, which is India-centric today, and use the Dalco base to sort of increase that business in the US. So these would be the strategic priorities. And India demand remains robust for Advanced Materials. India continues to develop as a strong -- every quarter, the legislation is getting stronger, the government procurement is increasing, and there will come a time when India will be a very large market for these products. So, we are well positioned to take advantage of that because we already have a strong base across two continents.

Rajat Baldeva - Analyst, Kizuna Wealth
Okay. And sir, my second question is that, what was our export mix from Europe?

Punit Lalbhai - Vice Chairman, Arvind Ltd
Exports to Europe is quite small today. It will be at that 8% to 10% margin across the group, both in textile -- in garmenting, it is slightly higher, but our fabric would be about 8%, 9% and advanced material also we're at that 8%, 9%, 10% range which the FTA will help a lot I think going forward but it will take maybe 18 to 20 months to actually convert the initial promising conversations to any significant business. But as you mentioned, Karan said, we're investing. We started the UK studio on the textile business side. We've started -- we're looking at one or two other locations in Europe to open design studios, have sales -- and have a larger sales and marketing presence. For our human protection business in advanced materials, we have sort of done some hiring to have a local presence in the UK, and we're currently looking at Europe there also. So we are strengthening our base in Europe so that it can become a larger percentage of our business going forward, and we can take full advantage of the free trade agreement going forward.

Rajat Baldeva - Analyst, Kizuna Wealth
So, sir, is it fair to assume that our realization in the garment business, so it will be in a moderate range because in Europe the realization is quite lower as compared to the US?

Punit Lalbhai - Vice Chairman, Arvind Ltd
No, I don't think that is true. I think it depends more on customer than region. So I don't think there will be any change in realization. And the way to think about our garmenting business is that it will be a medium teens growth and we have to get to double-digit EBITDA, whether it's coming from the US or Europe, there will not be much difference in realization and margin. But we want Europe to be an overall larger percentage of our portfolio because it is important -- it is an important region into which we are currently underpenetrated.

Rajat Baldeva - Analyst, Kizuna Wealth
Okay, sir, great. Thank you very much, sir, and best wishes for the full year.

Punit Lalbhai - Vice Chairman, Arvind Ltd
Thank you.

Operator
The next question comes from the line of Vishal Mehta with IIFL Capital. Please go ahead.

Vishal Mehta - Analyst, IIFL Capital
Yeah, thank you for the opportunity and congratulations on a strong set. My questions are more on the AMD side of business. If you could give -- so while we get from the presentation that the end-use applications of defense and renewables in composites and mobility have done well, but if you could give more color on what sort of products are we doing for in each of these segments and what sort of products are having such high demand that we are serving. And second part to this question would be, out of the three subsegments, probably industrial seems to be one where we probably don't have exposure to these high-growing end-use applications as such. So would it be fair to assume that industrials probably would grow at a stable growth rate of 8% to 10%, and the other two subsegments, HP and composites, which have the tailwinds of defense, mobility, and renewables, continue the higher growth trajectory? Yeah.

Punit Lalbhai - Vice Chairman, Arvind Ltd
Thanks for the question. I wouldn't agree with that statement. The lower growth in industrial is purely a function of challenges on getting the capex off the ground in quarter one. We had shipping delays, we had execution delays, we had even flooding. So the -- we are one quarter late in our capacity expansion in industrial, and we have not invested in the last year significantly in industrial. The investments are going in this year, so this year you may be right that the growth will be slightly lower compared to HP and composites, but I don't see any challenge to the medium-term growth, and why industrial cannot grow at 20%. As I've consistently mentioned that we are in an execution-constrained environment rather than a market-constrained environment. So there are enough opportunities to grow in industrial, and in the medium term, it will catch up as our capex's are catching up. Referring to your question around composite business and which are the segments to which our products go. You kind of answered it yourself. The mobility, renewable energy, and infrastructure. Those would be the three big areas. We have our pultrusion business that makes profiles for building and construction industry and infrastructure industry. We have our roll good reinforcement business, which mainly goes through -- goes to where renewable energy is a big, big

end-user market, among other industrial uses as well. And then we have the molding business for mobility. Those would be the current volume drivers.

The future, of course, is aerospace, defense, and a carbon-led future, which, of course, is in its very nascent stages, and it may take some years before it become a large part of the business, but we are putting in efforts to scale that business up. So that's where we are in terms of products and where our composite products go. As far as industrial is concerned, it's a filtration business mainly, and that is a very large market and a very profitable market. So, on a run rate basis, our growth will be okay in the medium term and we have ample opportunity, and we are investing significantly. So this year, there is a disproportionate allocation of interest -- investment towards industrial. Also, one other thing happened. There is some common infrastructure between industrial and human protection, especially our yarn creation capacities. A lot of them got diverted towards the human protection business because there was a sudden spike in orders there. So to that extent, we couldn't support the industrial business to some extent. So many reasons why the industrial growth is not there, but none of them are market-driven. It is more our internal capacity-driven reason, and we are correcting that quickly, so growth rate will catch up there.

Gurpreet Singh Bhatia - Chief Executive Officer and President of AAML, Arvind Ltd
And if I may just add on the industrial. With the stringent [Phonetic] of emission norms, we are well prepared with the portfolio to lead and deliver solutions for high-temperature solutions and reduced emissions for the next three, four years. That's a portfolio we've been working on over the last 12 months, which will get our portfolio from mid-tier to top-tier products. India strengthening its norms is another great opportunity that the team has been working on to expand. And the last is the verticalization from felt to bags. We are enhancing our end-user complete solution for installation, especially in the NN [Phonetic] context. So very bullish on both profitability and growth once the capex comes on stream in this quarter, and we should see mid-teens to high-teens growth in Q4 onwards once the utilization of new capex scales up.

Vishal Mehta - Analyst, IIFL Capital
Sure, thanks. Thanks for that. Just a follow-up on this, if you can also help with some color on what product types in defense, especially on the Indian defense side that we are catering to. And another one on the composites. I was probably reading somewhere that there seems to be some application of glass-based composite material in semiconductors and wafers. So is that an opportunity that we are participating in, or do we have the capability of?

Gurpreet Singh Bhatia - Chief Executive Officer and President of AAML, Arvind Ltd
So let me answer the defense question first. Our whole philosophy is around co-creating solutions for our customers. And when we look at the defense segment, there are three sets of bodies that we work on. One is the product development, which are the agencies like DIPAS, DRDOs, and the research agencies. Second is the users themselves, which is the forces and the paramilitary, the Indian Navy, Air Force, and the MHA services. And third is us as a partner for us. We start our development journey right at the basic requirement stage that our forces need. We have been doing that work now for offering solutions from innovative fabrics and designs for uniforms to higher requirements of FR or fire-resistant coveralls and products for the Indian Air Force and Indian Navy, moving upwards to extreme cold weather clothing, and NBC suits type of clothing. So, it's virtually everything that we do is built on this platform of working quite closely for the requirements of our troops. The second philosophy we work on is offering solutions which can be substituting for

imports for our defense services. So that's the broad-based portfolio that we are working on, and we are continuously looking to enhance these solutions that we provide to the forces. On the glass fabric side, on the composite side, our focus is on solutions for renewables, building and construction, and mobility. I don't think we have anything to offer on the semiconductors -- Punit, do you want to ---.

Punit Lalbhai - Vice Chairman, Arvind Ltd
You're right that semiconductors do use composites, but currently in our Indian context, the customer base is quite limited there, and the technology platforms required for that are very different from the ones we have currently invested in. So it's -- electronics and composites is a good space to look at, and I think if we have to enter it, the first place we will enter it is in reinforcement side, where currently we do a lot of roving-based reinforcement fabrics that go into, say, wind energy. There are yarn-based reinforcements that go into printed circuit boards, et cetera, which could be the first place where we'll start to experiment. But as of now, it's not a very large segment for us. We are focused on the three, four segments that I mentioned earlier.

Vishal Mehta - Analyst, IIFL Capital
Sure, very detailed and helpful. Just last question from my side on the garmenting piece: the capacities that we currently have and what sort of expansions are we planning outside of the partnership model that we are seeking? Yeah, that would be my last question.

Punit Lalbhai - Vice Chairman, Arvind Ltd
I don't want to give a very detailed answer on the partnership model till I'm fully confident that we are on firm ground. So I think I'll wait a couple of quarters before finalizing that medium-term view on the partnership model. As far as our own capacities are concerned, we are getting a factory started in Varanasi next month, in fact, and we are debottlenecking two or three of our brownfield factories through automation and starting of second shift. So capacity addition is on pace with our long-term objective to grow 15%. I think number of pieces and all -- as you saw this quarter, the number of pieces went up but revenue didn't go up much. So I think focusing on number of pieces may not be the right way to look at this business. Are we achieving a mid-teens kind of growth in the medium term is what we should look at. And we are on track with the capacities to hit that going forward.

Vishal Mehta - Analyst, IIFL Capital
Sure. Fair enough. Thanks. Thanks for all those.

Operator
The next question comes from the line of Mithun Aswath with Kivah Advisors. Please go ahead.

Mithun Aswath - Analyst, Kivah Advisors
Sir, I just wanted to understand on the Advanced Materials division. Now you've made this acquisition as well and the business is scaling up quite well. Would there be some point where you would want to demerge this business and grow it individually, or do you -- it will remain as a division of the business because there are some benefits also that you accrue because of being one entity. Just wanted your thoughts on that.

Punit Lalbhai - Vice Chairman, Arvind Ltd
So we've housed the Advanced Materials business in a separate -- as a separate entity, as a wholly

owned subsidiary of the parent. And that is with a view of doing some sort of capital action in the future. What nature that is not yet decided upon, whether it remains to be under the parent entity or separately. We will think about that at the right time. Right now, our focus is on growing the business at close to 20% and achieving the kind of return profile that we have sort of set ourselves to achieve. So the focus right now is on building the business, and I think in the next couple of years, we will figure out if and when some capital action is required. But I don't think anything is in the offing for the next couple of years. We will have to have our head down and just focus on growth and winning in the market.

Mithun Aswath - Analyst, Kivah Advisors
Thank you, sir.

Operator
The next question comes from the line of Shirish Pardeshi with Motilal Oswal Financial Services. Please go ahead.

Shirish Pardeshi - Analyst, Motilal Oswal Financial Services
Hi, team. Good afternoon. Thanks for the opportunity and really impressive performance. Congratulations for that. I am reading Slide 15, where we have given the capital employed in AMD business. So AMD India is INR853 crores, Dalco is INR326 crores. I'm a little curious, sir, if the business growth is executed well, how this number should look like for the next one year.

Punit Lalbhai - Vice Chairman, Arvind Ltd
I think both businesses are at very high return on capital employed. And yes, there is always some headroom to improve, so it can go up by a few percentage points in terms of ROCE. If we are very efficient, we can maybe squeeze out INR30 crores, INR40 crores of capital employed. But right now, we are doing actually the opposite because of the uncertain raw material environment and price fluctuations happening. We are actually going longer than normal on raw materials, just so that we can protect our customer commitments. Availability and price both become an issue in such a geopolitically uncertain environment, shipping availability, cost. So to be able to service the business well, we have actually sacrificed some working capital efficiency and focused on having high reliability and performance for our customers' expectations.

Shirish Pardeshi - Analyst, Motilal Oswal Financial Services
That's helpful. I just wanted to be doubly sure. Is it this optimum level or this can be -- this can go up more substantially?

Punit Lalbhai - Vice Chairman, Arvind Ltd
Yeah. We are at around 90 -- between 90 and 100 days of working capital in the Advanced Materials business. Dalco is slightly less. Dalco would be around 60 days. I think we will be -- Dalco is more like closer to 50 days than 60 days.

Nigam Shah - Executive Director and Chief Financial Officer, Arvind Ltd
Yeah. Right now, 45.

Punit Lalbhai - Vice Chairman, Arvind Ltd
We will -- we feel that overall the business can improve by one turn if we're very efficient, but right now is not the time to focus on that efficiency. Right now, the time is to focus on taking -- going

from 6 turns to 7 is not the focus. Having 95% plus OTIF, on time and in full, that will keep the business growing at the levels that we want.

Shirish Pardeshi - Analyst, Motilal Oswal Financial Services
Okay, that's helpful. My last question. On the same slide, there is a goodwill and intangible setting of INR853 crores. How this number we should think about for next 15 months, 18 months, two years?

Punit Lalbhai - Vice Chairman, Arvind Ltd
That number will be there for the next four years, five years at least. And the way to think about it is that we don't have to pay tax because of it.

Shirish Pardeshi - Analyst, Motilal Oswal Financial Services
Okay. Thank you. And all the best.

Operator
The next question comes from the line of Vimal Sampath [Phonetic], an individual investor. Please go ahead.

Vimal Sampath - Analyst, Individual Investor
Yeah, good afternoon. Sir, now just a broad question. Seeing this, we are turning more and more into a product company, having tie-ups like asset-light -- raw material sourcing and asset-light manufacturing. So, going down -- four, five years down the line, I mean, will we -- we will be like a multinational and more of products rather than fabrics. Is it -- is my judgment correct? We will be more of a product company than ---.

Punit Lalbhai - Vice Chairman, Arvind Ltd
Right now our sort of asset-light model is tiny. We are still primarily a manufacturer, and I think manufacturing will remain a core strength because this is a capability that this group has acquired over 100 years in the space of textiles. So I don't think we will -- at least on current visibility, I don't see a manufacturing-free kind of go-to-market strategy that we adopt. Manufacturing will remain a very important part of what we do. But yes, we are in the process of globalization, and particularly because there are country risks and all those kind of considerations to sort of think about, and also a limited pool of capital needing to go as far as it can go. We are exploring more and more asset-light models going forward. So, asset-light as a strategy will go up as a part of the portfolio, but we will still remain a manufacturing-heavy company. The nature of our manufacturing is also different and evolving as we go forward. So we are focusing on digital transformation. We are adding a lot of automation. We are bringing in more and more innovations in terms of technology. We are bringing in a more multi-product sort of go-to-market where we are adding MMF capabilities. We are adding newer lines of business in advanced materials. So our material diversity is going to increase, our manufacturing platforms are going to be more diversified, our footprint is going to be more global, and asset-light is going to become a higher proportion of the overall business, but we are still going to be predominantly a manufacturing company.

Vimal Sampath - Analyst, Individual Investor
And our size, I think, will be in about five years at least double of what we are now in terms of turnover.

Punit Lalbhai - Vice Chairman, Arvind Ltd
So you can think of on a INR10,000 crore base, if advanced materials grows at close to 20%, if garments grows at mid-teens, and if fabric grows at high single digits, overall company will grow in the teens, early teens, plus there might be one or two inorganic along the way, which we cannot predict sitting at this point in time. So I would say you're not very far off from our desired trajectory would be something similar to what you're saying.

Vimal Sampath - Analyst, Individual Investor
Okay, thank you, sir.

Operator
The next question comes from the line of Roshan [Phonetic] with Antique Stock Broking. Please go ahead.

Roshan - Analyst, Antique Stock Broking
Yeah, thanks for the opportunity. So you emphasized on the fact that particular -- you have been focusing on verticalization to improve economics across the segments. So now going forward, how should we look at it? The next phase of growth will be dependent more on capacity addition or extracting value from the existing integrated model. Your comments would be helpful on that front.

Punit Lalbhai - Vice Chairman, Arvind Ltd
Can you repeat the question? I'm not sure I understood it clearly. Sorry.

Roshan - Analyst, Antique Stock Broking
I'm saying you have been emphasizing on verticalization across these segments. So how should we look at the next phase of growth? Would it be more capacity addition driven or extracting value from the existing integrated model? So your comments would be helpful.

Punit Lalbhai - Vice Chairman, Arvind Ltd
No, so for the model to get integrated better, we need to increase the capacity. So the two are linked, right? You cannot integrate if you don't have the garmenting. So right now, our garmenting is operating at 100% capacity utilization. So we will need to have more garmenting capacity and hence we're adding factories, we're adding automation, we're doing this kind of partnership model, all of that is there to be able to verticalize our very large -- we make more than 300 million meters of fabric and with our current garment capacity is only 15% to maximum 20% of it can be vertical with the existing capacity. So capacity has to go up to be more vertical. So it will be both. We will try and leverage more value through verticalization, but to do that, we will have to add capacity. So both will happen.

Roshan - Analyst, Antique Stock Broking
Understood, that's helpful. And next, you alluded to the fact that the textiles EBITDA margin has improved despite a INR19 crore impact on higher raw material cost. So how much of this pressure can realistically be kind of recovered through pricing, product mix, and sourcing? And how much could remain structural?

Punit Lalbhai - Vice Chairman, Arvind Ltd
I would like to correct you. The margin hasn't improved; it has gone down quarter one to quarter one. it has gone down significantly from quarter four to quarter one, but that is reflective of quarter

one -quarter four regular dynamics. So normally, quarter four is a higher-margin quarter than quarter one. So if you compare quarter one to quarter one, we have reduced by half percentage points on the overall textile margin. That should be gradually recovered as -- see, imports are still high as we speak because they started going down then the whole Middle East thing flared up again. So again, there is still a reasonably high level of stress on raw material prices, and -- so it's a constant effort to pass on as much as we can to customers, and do our best there. So it's going to be a gradual process to creep back to the old margins, and the timeline cannot be predicted because the conflict is still ongoing.

Roshan - Analyst, Antique Stock Broking
Understood. That's helpful, and wish you all the best for the coming quarters.

Punit Lalbhai - Vice Chairman, Arvind Ltd
Thank you. Thank you very much.

Operator
Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Satya Prakash Mishra for the closing remarks.

Satya Prakash Mishra - Head of Investor Relations, Arvind Ltd
Once again, thank you, everyone, for joining today's call. We trust that the discussion addressed most of your questions. Should anything remain unanswered or if any questions arise going forward, please do not hesitate to reach out to us. We are just a phone call or an email away, and we will be happy to assist. We look forward to engaging with you at an upcoming conference. Thank you, and wish you a good day ahead.

Operator
[Operator Closing Remarks]