

Incorporated in 1973, Vardhman Textiles Ltd (VTL) which was earlier known as Mahavir Spinning Mills is a part of Vardhman Group. It had started as a **yarn manufacturer** and now is one of India's largest **vertically integrated textile manufacturers** from spinning and fabric manufacturing to garments (largest in terms of number of spindles). This vertical integration offers significant advantages, including cost efficiency, consistent quality control, faster turnaround times and economies of scale.

It operates 15 state-of-the-art manufacturing facilities, which are well equipped with advanced machinery and technology, that enables it to produce a wide range of fabric from 60 grams per sq. mt. (GSM) to 400GSM producing a diverse range of products, including yarns, fabrics, acrylic fiber and garments. It has presence in over 75 countries with **exports** contributing **~44% of its total revenues** (Q3FY26). With an annual production capacity of ~1.25mn spindles and 180mn meters of processed fabric, VTL is a leading manufacturer and exporter of cotton yarn in India.

VTL is undertaking **capex to modernize** its existing facilities, helping it meet the evolving needs of its customers and increasing the share of its value-added products. VTL is also in the process of increasing its processed fabric capacity and venturing into synthetic fabrics. We initiate **Buy** rating on the stock for a TP of Rs655 (22.2x of Mar'27E EPS of Rs29.47), implying an upside of ~20%.

**Well Structured Business:** Higher the presence in textile value chain, better the margins. Integrated model enhances operational resilience and positions VTL as a competitive player in both domestic as well as international textile markets. Also, if a particular segment faces downturn in demand or witnesses price correction; VTL can use the same as an input and sell products at the higher end of the value chain, providing an edge in its ecosystem.

**Strong Capex Plans:** VTL has total **capex plan of Rs35.3bn**, aimed at expanding yarn capacity (32,600 spindle addition) and enhancing its processed fabric production. Project involving 6,624 rotors is underway. Major part of the capex i.e. Rs18-19bn is to **modernize spinning division**, automation technology upgradation and increase reliance on green energy. **Processed fabric capacity** at Vardhman Fabrics, Budhni is expanded by ~31mn meters per annum (capital investment of Rs4bn); ramp up is expected by Q1FY27. Commercial production of new capacity of **technical textiles** (15lk meter fabric/month) at Baddi has commenced w.e.f. 01st Mar'26.

**Green Power/Sustainability:** VTL has committed ~Rs8.5bn towards **green initiatives**, including deployment of biomass boilers and development of solar and wind energy projects. These efforts are designed to significantly elevate VTL's green energy footprint, targeting share of 25-30% within the next two years with potential to reach upto 40% within three years.

SNAPSHOT	
52 week H/L	Mcap (INR mn)
551/363	157,996
Face value: 2	
BSE Code	NSE CODE
502986	VTL

Shareholding Pattern as on 31st Dec, 2025		
Parameters	No of Shares	%
Promoters	186,395,635	64.4
Institutions/MF	63,803,340	22.0
Public	39,038,325	13.5
<b>TOTAL</b>	<b>289,237,300</b>	<b>100.0</b>

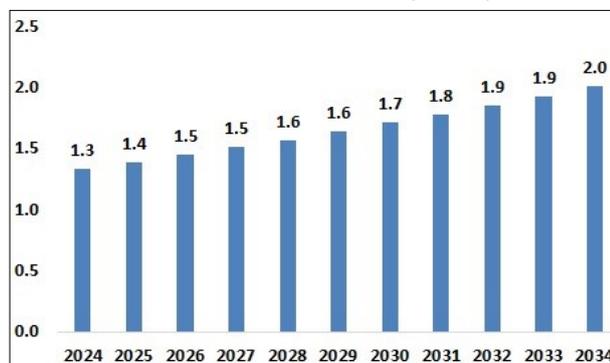
Quarterly Performance				
Parameters (Rs mn)	Mar-25	Jun-25	Sept-25	Dec-25
Sales (Net)	25,086	23,857	24,801	25,053
EBITDA	2,869	3,257	3,344	2,844
EBITDA (%)	11.4	13.7	13.5	11.3
Other Income	1200	703	368	585
Interest	229	225	206	262
Depreciation	1035	1094	1141	1183
PAT	2379	2077	1878	1685
Equity (Rs mn)	569	569	569	569

Annual Performance				
(Rs mn)	FY23	FY24	FY25	FY26E
Total Revenue	101,375	95,047	97,849	102,745
EBITDA	13,240	9,732	12,628	12,843
EBITDA (%)	13.1	10.2	12.9	12.5
Other Income	1,920	3,259	3,360	2,112
Interest	1,022	1,023	773	938
Depreciation	3,944	4,046	4,009	4,688
PBT	10,194	7,923	11,205	9,328
PAT	8,047	6,367	8,867	7,686
Equity (Rs mn)	569	569	569	578
EPS (INR)	27.9	22.2	31.0	26.4

Ratio Analysis				
Parameters (Rs mn)	FY23	FY24	FY25	FY26E
EV/EBITDA (x)	13.1	18.0	13.5	13.7
EV/Net Sales (x)	1.7	1.8	1.7	1.7
M Cap/Sales (x)	1.6	1.7	1.6	1.5
M Cap/EBITDA (x)	11.9	16.2	12.5	12.3
Debt/Equity (x)	0.3	0.3	0.2	0.2
ROCE (%)	11.8	9.0	11.4	8.8
Price/Book Value (x)	1.8	1.7	1.6	1.5
P/E (x) (TTM)	16.9	15.8	13.4	22.1

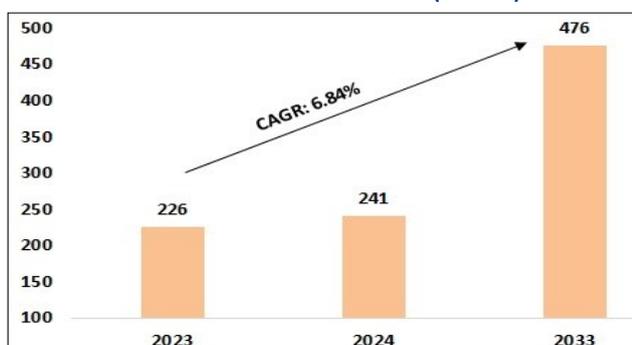
**Textile Industry Overview:** The global **textile market** size was valued at USD1.33tn in 2024 and is anticipated to reach around USD2.01tn by 2034, growing at a CAGR of 4.24% over the forecast period from 2025 to 2034. US remains the **largest export market** for India's textile and apparel industry, accounting for ~28.97% of the total textile exports, valued at ~USD10bn. **India** ranks as the fourth-largest apparel exporter to the US, with a market share of ~7-8%. The **Indian textile market** was valued at **USD240.8bn** in 2024 and is expected to reach **USD475.7bn** by 2033, at a CAGR of **6.84%** during the forecast period 2024-2033. India ranks among the top five global exporters in several textile categories, with exports expected to reach **USD100bn** by FY27E. As per the recent Union Budget document, textiles and apparel industry now contribute ~2% of India's GDP and ~11% of manufacturing GVA (Gross Value Added); 8.63% to exports. The textile industry in India is predicted to double its contribution to the GDP to ~5% by the end of this decade.

Exhibit 01: Global Textile Market Size (USD tn)



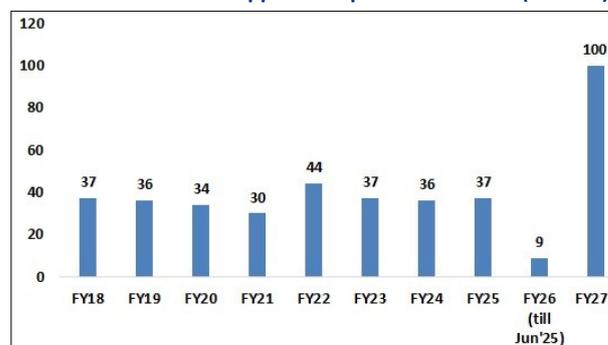
Source: globenewswire.com/news-release, Progressive Research

Exhibit 02: Domestic Textile Market Size (USD bn)



Source: CMI, Progressive Research

Exhibit 03: Textile & Apparels Exports From India (USD bn)



Source: Ministry Of Textiles, Progressive Research

**Technical textiles** are defined as textile materials and products used primarily for their technical performance and functional properties rather than their aesthetic or decorative characteristics. The **global technical textile market** is expected to grow from USD213.8bn in 2024 to reach USD284.0bn by the end of 2029, at a CAGR of 5.8% during the forecast period of 2024 to 2029. This growth is backed by increasing global demand for technical textiles across industries and expanding base for new applicative products being developed at a rapid rate. The **Indian technical textiles** market is the fifth largest in the world and valued at USD29bn in 2024 and is projected to grow to USD45bn by 2026, USD123bn by 2035 and USD309bn by 2047. **India's home textile industry** is expected to expand at a CAGR of 8.9% during 2023-32 and reach USD23.32bn in 2032 from USD10.78bn in 2023. India continues to maintain a dominant position in home textiles, holding over 60% share in bed sheets and around 43% in terry towels within the US market. The textile and apparel trade depend on a combination of global economic trends, shifting consumer preferences and industry specific dynamics. The Indian textile industry has remained inclined towards cotton-based products historically. However, over the past two decades there has been a **consistent shift towards Man-Made Fibers (MMF)** from natural fibers led by factors such as affordability, high durability, technological advancements and consumer preference. Globally, MMF accounts for ~70% of total fiber usage, while in India, it represents ~40-45%, implying significant headroom for growth. Domestic MMF textiles is expected to grow at a CAGR of ~6-7% in the coming years. Within MMF, polyester accounts for ~77.5%, while viscose makes up the majority of the remaining share. Over the last few years, the government has also realized the importance of MMF for the growth of textile industry and has introduced various initiatives like PLI to promote growth. The cut in **GST rate** (from 12% to 5%) is a major reform and is expected to have a big positive impact on the demand of MMF based products. India is the second largest producer of polyester yarn with a capacity of 4.5-5mn tons and exports ~0.5mn tons. Currently, 50% of the total requirement of raw material is imported. The MMF segment will continue to surpass natural fibers due to inherent constraint of natural fibers in meeting demand and is expected to grow at a considerable rate.

**Apparels** dominate the global textile industry, accounting for ~57% of the overall global textile, valued at USD1400bn in 2025 and estimated to reach USD1682bn by 2031; CAGR of 3.12% (2026-2031). US and EU together hold a major share, making them key export markets for Asian Ready-Made Garment (RMG). India is the 6th largest exporter of apparels with a share of 3.9% in total global apparel trade in CY24; and it faces stiff competition from Bangladesh and Vietnam for major apparel export destinations. It was valued at USD115.70bn in 2024 and expected to be USD171.60bn by 2034, CAGR of 4% during the forecast period. Factors such as China+1 gaining momentum after pandemic, rising geopolitical tension in Bangladesh, increased labor cost in Vietnam with the focus shifting to other manufacturing sectors like electronics, semiconductor and India's presence across entire value chain in natural fibers made India a **preferred alternative** source.

**Textile Industry Overview (contd.):**

**Macro Developments:** The sector has been in the limelight for all the changes across tariffs for India as well as the peer countries. India, being among top textile exporters accounts for 28% of total textile exports, valued at ~USD10bn. **There have been multiple flashes on tariffs that include:** The US administration imposed 50% tariffs (25% reciprocal and 25% punitive) on imports from India w.e.f. 27th Aug'25. The enforcement of reciprocal tariffs led to a potential total tariff burden of ~62-65% on textile and apparel exports to the US; reducing the price advantage as well as competitive edge. 50% tariffs are having significant impact on Indian textile exports (especially downstream players such as RMG and home textiles) as higher tariff rate has made exports unviable. Lower tariffs on competing countries like China (30%), Bangladesh (20%), Pakistan (19%) and Vietnam (20%) positions India at a relative disadvantage to key competitors. Retailers were comfortable with 25% tariffs imposed earlier (~5% disadvantage) which could have been absorbed through negotiations, cost optimization programs and incentives. Indian exports of knitted and woven garments, made-ups (home textiles) and carpets are the primary categories impacted which accounts for a major chunk of India's textile exports. By taxing these key items, US isn't just targeting a few goods; it's going after the core of India's textile earnings, which could be a much harder blow to the economy.

Slating another growth catalyst for the textile sector, was that **India and the EU** conclusion of talks for a comprehensive free trade agreement (FTA) in Jan'26. Once the FTA becomes effective, which is likely next year, it would provide a meaningful tailwind for the textile sector, partly offsetting the impact of higher US tariffs that have weighed down on industry performance. FTA is expected to eliminate import duty on Indian textiles and apparels (currently ~10-12%) at par with key competing suppliers such as Bangladesh, Vietnam, Pakistan, and Turkey. Textile and apparel imports to the EU stood at USD127bn in CY24. China continues to dominate the EU market with 30% share in total imports followed by Bangladesh (16%), Turkey (12%), and India (6%). India's textile and apparel exports to the EU were USD7.36bn in 2024, trailing the US which stood at USD10.8bn. India's export market share to the EU has remained largely stagnant over time, primarily due to the absence of an FTA. In contrast, Bangladesh and Turkey benefit from **zero duty access**, placing Indian exporters at a structural tariff disadvantage of 10-12%. EU's apparel imports stood at USD90bn in CY24 (leading importer of apparels globally). Pakistan remains the dominant player in home textile imports due to duty free access. The conclusion of FTA represents a ~USD7-8bn incremental opportunity for the sector. Brands and retailers in the EU are seeking to diversify sourcing and reducing dependence on suppliers such as China and Bangladesh and the FTA is expected to accelerate the shift. The expected elimination of duty will be a key driver of export growth, however, the ramp up is likely to be gradual.

Further to the reciprocal tariffs, in Feb'26 there was another turn with **US and Bangladesh signing a trade agreement** that introduced a mechanism for zero reciprocal tariffs on specified volumes of textile and apparel goods exported from Bangladesh to the US. The general US tariff cap on Bangladeshi imports was reduced from 20% to 19%, while products not produced or available in the US will receive a zero tariff. The arrangement enables certain Bangladeshi textile and apparel products to enter the US market at a zero reciprocal tariff rate, with the eligible import volume linked to the quantity of US-produced cotton and MMF textile inputs supplied to Bangladesh. The GOI had earlier announced an **exemption on cotton imports** from an 11% duty until September-end which was extended and ended on 31st December 2025; **with an intend to let Indian textile companies import cheaper cotton, easing pressure amid the slowdown in US demand. The standard import duties have been reinstated from 01st Jan'26 causing cotton prices to firm up in India.** The latest addition is the possibility of Bangladesh imposing a duty on yarn imports; which will see pressure on local yarn markets as Bangladesh is the main yarn buyer from last few years. India exports about 30% of the total yarn produced as the requirement is only 70% of the total yarn production. All these announcements clearly indicate the uncertainty that the sector is still facing in terms of tariffs with dynamic situation; with attempts to survive and sustain now being a continuous process.

**About the Company:** Incorporated in 1973, Vardhman Textiles Ltd (VTL) which was earlier known as Mahavir Spinning Mills Ltd is a part of the Vardhman Group. It had started as a yarn manufacturer and now is one of India's largest vertically integrated textile manufacturers from spinning and fabric manufacturing to garments (largest in terms of number of spindles). This vertical integration offers significant advantages, including cost efficiency, consistent quality control, faster turnaround times, and economies of scale. It operates 15 state-of-the-art manufacturing facilities, which is well equipped with advanced machinery and technology, that enables it to produce a wide range of fabric from 60GSM to 400GSM producing a diverse range of products, including yarns, fabrics, acrylic fiber and garments. It has presence in over 75 countries with exports contributing ~44% of its total revenues (Q3FY26). With an annual production capacity of ~1.25mn spindles and 180mn meters of processed fabric, VTL is a leading manufacturer and exporter of cotton yarn in India. It offers a diversified yarn portfolio across cotton, blended and value-added varieties. As of Q3FY26, Yarn and Fabrics contributed ~64% and ~36% respectively. VTL is undertaking capex to modernize its existing facilities, helping it to meet the evolving needs of its customers and increasing the share of its value-added products. The company is also in the process of increasing its processed fabric capacity and venturing into synthetic fabrics. Mr. Paul Oswal is the Chairman and Managing Director of the company.

**About the Company (contd.):** VTL is a fully integrated textile player present across the value chain ranging from yarns, threads, fibre to fabrics and garments. The subsidiaries and associates of the company include: (i) **VTL Investments Ltd:** 100% subsidiary of VTL, engaged in the business of investment. The earnings mainly come from the dividend/interest earned on its investments and profits made on sale of investments, (ii) **Vardhman Acrylics Ltd (VAL):** subsidiary of the company is engaged in the business of manufacturing of Acrylic Fibre. Presently, VTL holds 70.83% in this subsidiary, (iii) **Vardhman Yarns and Threads Ltd (VYTL):** a JV with American & Efirid Global, LLC (A&E), is an associate of VTL; engaged in the business of threads manufacturing and distribution. VTL holds 11% stake in VYTL. A&E is the second largest player in threads manufacturing and distribution across the world, (iv) **Vardhman Special Steels Ltd (VSSL):** is an associate of VTL where it holds 24.69% shares of VSSL, (v) **Vardhman Spinning & General Mills Ltd (VSGM):** an associate of VTL which holds 50% shares of VSGM.

**Exhibit 04: Manufacturing Expertise**

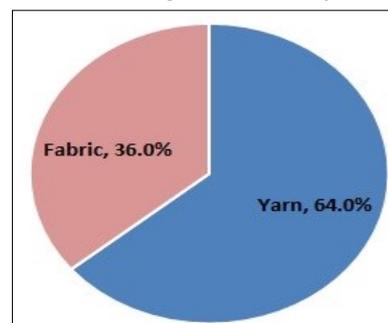
Segment	Capacity/Metric	Strategic Role
Yarn Spinning	267,552MT	Core revenue driver (~64% of the total revenues)
Weaving	1,550 looms	Downstream value addition
Fabric Processing	180mn meters/annum	High margin growth engine
Acrylic Fiber	22,000MT/annum	Diversification via subsidiary
Garments	2.2mn p.a.	Direct retail supply integration

Source: VTL AR2025, Progressive Research

**Investment Rationale:**

**(A) Key Business Segments:** The two main business segments of VTL are yarn to start with and then diversification into fabrics. In terms of the geographical split, it has 44% of exports with a base of 75+ countries and 56% from the domestic markets (as of Q3FY26). VTL operates a **vertically integrated textile business** spanning the entire value chain, from spinning and fabric manufacturing to garments. This vertical integration offers significant advantages, including cost efficiency, faster turnaround times, consistent quality control and overall economies of scale. The biggest positive is that with higher presence in the textile value chain, the margins continue to increase. With every stage of the production in-house, the company is better positioned to handle RM price volatility, it helps reduce the lead time, and maintain strong customer/client relations led by product customization and reliable/timely delivery. The integrated model enhances operational resilience and positions VTL as a leading and competitive player in both the domestic as well as the international textile markets. Furthermore, if a particular segment faces a downturn in demand or witnesses price correction; VTL can use the same as an input and sell products at the higher end of the value chain. This definitely provides an edge to the company in its ecosystem.

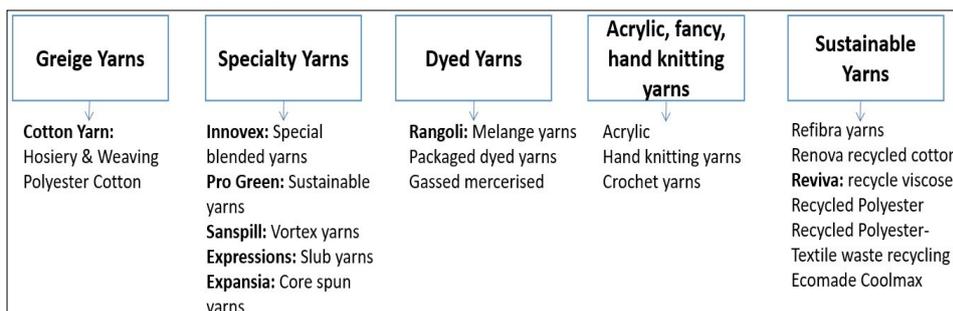
**Exhibit 05: Segmental Breakup**



Source: VTL Q3FY26 PPT, Progressive Research

**(i) Yarn-Flagship Business:** VTL is a prime producer and exporter of premium quality yarns across the globe including quality-conscious markets of the EU, Japan, US and Asia; driven by continuous technological upgradation, focus on excellence, customer driven innovation and effective business strategies rooted in ethics. VTL is one of the largest cotton yarn exporters from India. Yarn contributes ~64% of VTL's total revenues (as per Q3FY26). It leads the country in terms of number of spindles; where it started with 14,000 spindles and now defines the spinning capacity at ~1.25mn as of 9MFY26. The fibers sourced from domestic and overseas markets are completely aligned with the customer demand and processed keeping traceability. The state-of-the-art facilities manufacture an extensive range of products, that includes specialized greige (unfinished, unprocessed woven fabric), dyed and recycled sustainable yarn in various materials like cotton, polyester, acrylic, viscose, and specialized fiber, alongwith blends. A diverse portfolio allows to cater to a wide array of customer requirements. There has been gradual increase in the yarn capacity; but the company has been regularly investing in modernizing spinners that has helped enhance operational productivity and also expand the product portfolio, especially value added products like organic cotton, mélangé, lycra, ultra yarns gassed mercerized, super fine yarns and fancy yarns for hand knitting; catering to the evolving needs of its customers. VTL has introduced different variants and offers specialized and value-added yarn; product offerings like organic cotton and contamination free yarn. Some of the **business enhancing initiatives** include (i) modernising existing spinning units to improve efficiency, (ii) reduce costs (such as utility and power), (iii) enhance flexibility for differentiated products, (iv) pursuing improvement in man-machine productivity through debottlenecking, (v) contemplating to expand recycling capabilities by adding a second recycling line and (vi) developing differentiated and value-added products to cater to the evolving customer requirements.

**Exhibit 06: One Stop Shop for Yarns**



Source: VTL Website, Progressive Research

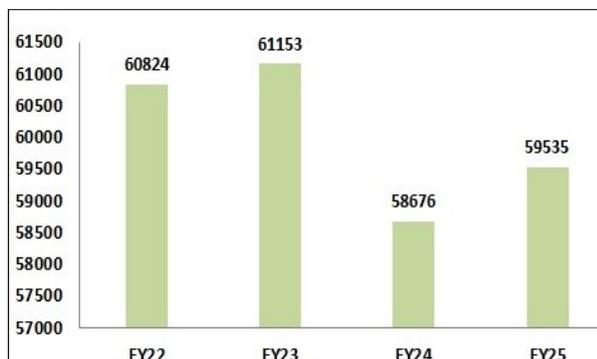
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**Investment Rationale (contd.):**

**(A) Key Business Segments (contd.):**

(i) **Yarn-Flagship Business (contd.):** Despite the prevailing market challenges, VTL remains focused on strengthening internal efficiencies and advancing its modernisation plans to enhance operational resilience. Investments in upgrading spinning facilities are central to this approach, aiming to achieve margin improvement in the near term. One of the key highlights, as part of its forward looking **sustainability** agenda is that VTL is contemplating to expand its recycling infrastructure by adding a second recycling line, effectively doubling its capacity in this high-growth segment. This strategic enhancement is driven by the rising demand for recycled fibres, propelled by growing environmental consciousness, evolving consumer preferences for sustainable products and industry wide efforts to reduce waste and minimise reliance on virgin materials. By scaling its recycling capabilities, the company is positioning itself at the forefront of circular innovation in textiles, while reinforcing its commitment to responsible manufacturing and long-term environmental stewardship.

**Exhibit 07: Yarn Annual Sales (Rs mn)**



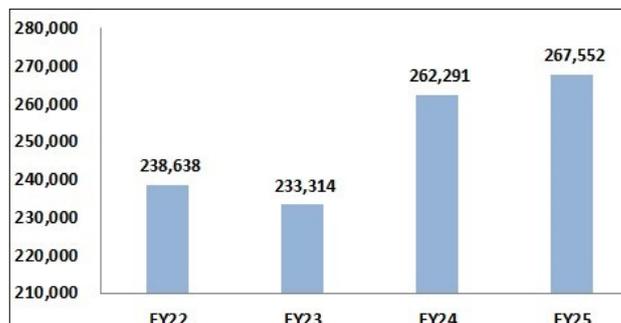
Source: VTL AR2025, Progressive Research

**Exhibit 08: Spindle Count (in mn)**



Source: VTL AR2025, Progressive Research

**Exhibit 09: Production (in MT)**



Source: VTL AR2025, Progressive Research

(ii) **Diversification via Production and Geographies:** The company started as a yarn manufacturer but with time has diversified operations by expanding into fabric production; a step towards **forward integration**. VTL now manufactures both greige and processed fabrics. It is one of the few vertically integrated fabric suppliers in India producing fabrics for both tops and bottoms in the apparel segment serving large retailers and most quality conscious markets across the globe. Besides this, it also makes specialized fabrics like yarn dyed, special white and fabrics with effect like Teflon/nanocare (oil and water repellent). With advanced machinery and technology, VTL is equipped to produce a wide range of fabric from 60GSM to 400GSM. It masters the capability to produce piece dyed, yarn-dyed, and printed fabric, catering to a variety of casual and formal wear applications. The company has a fabric development center, staffed with a specialized team of engineers covering the fiber-to-fabric science which focuses on product development and innovation, and continually enhancing its product offerings. There has been a consistent CAGR of 6.5% from FY17-25 through the fabric segment which accounts for ~36% of the total revenues (Q3FY26). VTL has been steadily expanding its processed fabric capacity from 114mn meters in FY15 to 180mn meters in FY25. The utilization levels have remained robust at 95%, driven by its diverse product portfolio. Processed fabric contributes a majority of VTL's fabric sales, leading to better margins.

**Exhibit 10: Grey Fabric (lakh mts)**



Source: VTL AR2025, Progressive Research

**Exhibit 11: Processed Fabric (lakh mts)**



Source: VTL AR2025, Progressive Research

**Investment Rationale (contd.):**

(ii) **Diversification via Production and Geographies (contd.):** The company continued to strengthen its value proposition by prioritizing superior products, diversified offerings and innovative enhancements. This approach encompassed advancements in weaving capabilities to seamlessly integrate new fibre types and the development of differentiated products tailored to evolving market demands. To further elevate its operational agility and product flexibility; it has initiated a comprehensive modernisation project aimed at expanding its fabric capacity.

This includes integration of sophisticated equipments, expansion of existing solid dyed and yarn-dyed lines and the addition of a processing line to accommodate growing demand. A key milestone in this journey was the **decision of a strategic entry into the 100% synthetic filament-based fabric segment**. This will mark a significant leap in portfolio diversification and catering to the expanding preference for technical textiles. The company has expanded its **processed fabric capacity** at Vardhman Fabrics, Budhni (Madhya Pradesh) by ~31mn meters per annum at a total capital investment of Rs4bn. It has been commissioned and scale up is expected from Q1FY27 onwards. This expansion is aimed at catering to the growing demand for processed fabric across both export and domestic markets. Following the expansion, revenue contribution from the fabric segment is expected to rise to 40% in FY28E, up from 34% in FY25. This shift in revenue mix is likely to support margin improvement, given higher profitability associated with the fabric business. In terms of the **geographical diversification** to mitigate the regional risk; VTL continues to actively diversify its customer base beyond the US market, focusing on the EU, UK, Australia, Canada, Bangladesh, and Sri Lanka. VTL has accelerated delivery timelines and introduced functional, circular, and performance yarns to strengthen its presence in activewear and lifestyle segments. Domestic demand continues to offer stability, offsetting export volatility.

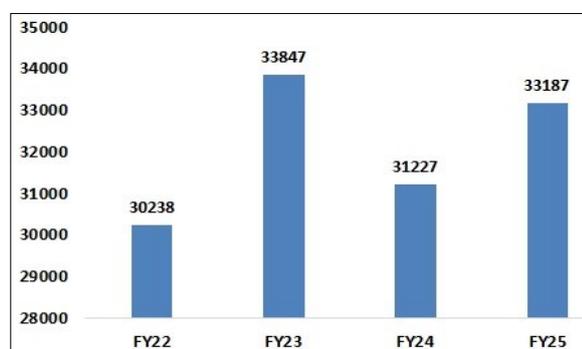
(iii) **Garments:** With a capacity to manufacture over 2.2mn premium quality shirts annually, and current capacity at 6000-7000 shirts/day; VTL's garment unit is equipped with world-class machines from Japan, Germany, US, China, Taiwan and Denmark. The garment unit is **highly focused** on the buyers' satisfaction for 'quality', 'functionality' and 'comfort' for manufacturing formal and casual shirts. Utilizing advanced production technologies such as liquid ammonia treatment and baking machines; VTL's garments division consistently delivers premium-quality garments, with notable expertise in post-cure and taped shirts that showcase exceptional finishing and superior durability. Classic formal taped shirts and smart casual shirts are crafted from a diverse range of high-quality fabrics, including 100% cotton, poly-cotton blends, cotton stretch/lycra, linen, cotton modal, cotton tencel, cotton viscose, mélange and more. The company is **actively expanding** its garment unit, aiming to scale production from ~7500 shirts per day to 10,000 shirts per day, strengthening its capacity to meet growing global market demand. The company is doubling the garment capacity (on a small base) to improve the overall viability with respect to: (i) the fixed cost per shirt is high (~Rs35-40), representing 6-8% of cost, (ii) doubling capacity will sharply reduce per-unit fixed costs. However, the Management reiterated of no change in the strategic stance; and is still evaluating whether to scale garmenting as a core business, given labour intensity. There is technological upgradation also been undertaken to boost efficiency, accuracy and product quality. Another aspect is **product diversification** to broaden the range with performance shirts, sustainable fabrics and innovative blends & value added products to meet evolving market needs. Some of the **brands** under the gamut include Zara, Land's End, Ben Sherman to mention a few.

**Exhibit 12: Product Offerings**

Products	Capacity/Features
Piece Dyed	120mn mts/annum
Yarn Dyed	30mn mts/annum
Prints	30mn mts/annum
Fiber Blends	100% cotton, polyester cotton, cotton stretch, cotton linen, nylon stretch etc.
Weave	Plain, Engineered Twill Dobby, Jacquard Crinkle, Seer Sucker
Specialty Finishes	Liquid ammonia/Airo/oil & water repellent/anti microbial/Teflon/bio polishing

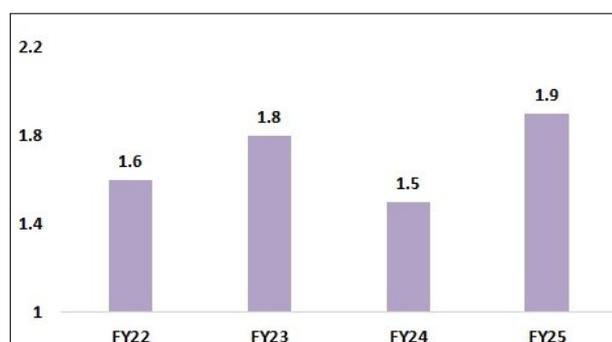
Source: Company, Progressive Research

**Exhibit 13: Processed Fabric Annual Sales (Rs mn)**



Source: VTL AR2025, Progressive Research

**Exhibit 14: Garments Production (mn shirts)**

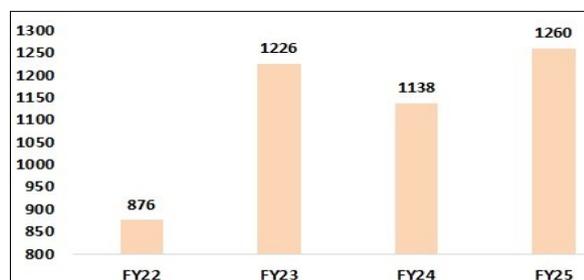


Source: VTL AR2025, Progressive Research

**Investment Rationale (contd.):**

(iii) **Garments (contd.):** VTL has firmly established itself as a leading shirt to top men's fashion brands, both in India and international markets. The company is well-positioned to leverage favorable global macroeconomic trends such as rapid urbanization, rising employment levels and increasing disposable incomes, all contributing to higher discretionary spending worldwide. The growing global shift towards branded, premium apparel driven by heightened fashion consciousness and lifestyle upgrades is further amplified by the expanding reach of e-commerce, particularly in emerging markets. These structural dynamics present a strong growth trajectory for VTL's product portfolio, reinforcing its position as a preferred partner for high-quality garment solutions in the global apparel industry.

**Exhibit 15: Garments Annual Sales (Rs mn)**



Source: VTL AR2025, Progressive Research

**(B) Growth Through Subsidiaries:**

(i) **Acrylic Fiber (through the subsidiary-Vardhman Acrylics Ltd):** Vardhman ventured into manufacturing of acrylic fiber & acrylic tow in 1999; used in the manufacturing of hand knitted yarns, blankets, jerseys, sweaters, carpets, upholstery etc. It is a preferred fiber across hosiery, weaving, home furnishing, industrial products. A state-of-the-art plant with technology from Japan Exlan Co. Ltd., a company at the forefront of innovation in this field, was set-up initially as a JV between Vardhman, Japan Exlan Co. and Marubeni Corporation, Japan. The 22,000TPA acrylic staple fiber and tow production plant in Gujarat, India, is from where VTL's products marketed under the brand name 'Varlan' are created. The world-class wet spun technology for the manufacture of acrylic fiber/tow and the highly automated production facility ranks Vardhman Acrylics Ltd amongst the most advanced plants of acrylic fiber across the globe.

**Some of the key product characteristics include** better strength and excellent spin ability, excellent dye pickup, saturation factor is only 1.8 whereas colour development factor is 100; leading to low dye consumption with brilliant shade, wide range of shrinkage, warm and high bulk, customised products can be developed and good light reflection, smooth touch and higher resiliency. With regard to the current industry scenario, **acrylic demand** in India has been dropping with only now three players left in India namely Indian Acrylics, Pasupati and Vardhman Acrylics. With the biggest plant in the country, Indian Acrylics (capacity of 38,000T) is running at about 30-40% capacity utilization; while with regard to Vardhman Acrylics (22,000T), it is running at 100%, but with pressure on the margins. Pasupati, is also running at full capacity (32,000-33,000T). The drop in overall demand is attributed to the price gap between acrylic and polyester which has been increasing in the last couple of years; practically acrylic fibre is almost double the price, if not double, at least 70% higher than the prices of polyester. As a result of this, there's been a lot of substitution, in the last one decade where demand of acrylic is moving to the polyester; pressure on companies like Thai Acrylic. India has been importing a lot of fibre from Thailand; thereby Vardhman has been working on the pricing in order to run at full operations and restricting imports into India. The overall industry thereby is under pressure with the situation not worth a mention.

(ii) **Vardhman Yarns & Threads Ltd:** a division outside of the flagship business; provides a wide range of threads. These threads are used in sewing, embroidery and special applications including clothing, home textile and leather products.

**Financials:** The company has made substantial investments to expand its manufacturing and development capabilities, enabling the creation of high-value added and differentiated products. In Q3FY26, the company posted a revenue growth of ~1.6% on y-o-y basis which was supported by healthy yarn volumes growth of ~9%; however, the profitability came in lower due to sharp compression in the gross margins, a decline of 138bps owing to elevated operating costs and adverse product mix. Despite the challenging macro environment capacity utilisation were seen at ~95% in yarn and ~89-90% in fabric. It has targets of increasing revenue from its fabric division, driven by expanded production, new market opportunities, enhancing product offerings and penetrating high-demand regions.

**Capex Plans:** VTL has increased its yarn and fabric capacity. The spindle capacity has grown from 1.1mn in FY15 to ~1.25mn as on date, while fabric processing capacity has expanded from 114mn meters to 180mn meters over the same period. Yarn and fabric segment average utilization levels have remained healthy at ~95%. The company has been proactive in expanding its production capabilities, which is evident from its ongoing capital expenditure plans. The company had announced a **total capex of Rs35.3bn**, aimed at expanding yarn capacity and enhancing its processed fabric production. In terms of the **yarn capacity expansion**, specifically, the company has completed the expansion of about 15,600 spindles (of the total of 32,600 addition expected) in H1FY26 and an additional 17,000 spindles has been completed.

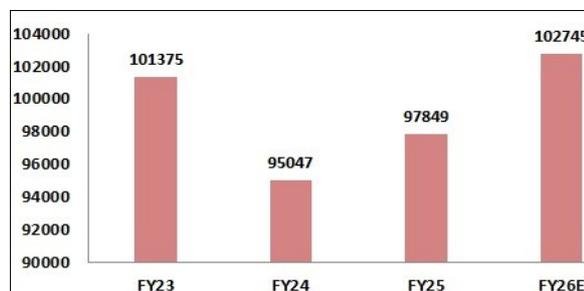
**Exhibit 16: Capacity Expansion**

Project Vertical	Details	Project Status
Spindles Expansion	17,000 units has been completed	Completed
Open-End Spinning	6,624 rotors project beginning	FY27E
Processed Fabric	31mn meters p.a. addition	Commissioned, gain momentum from Q1FY27
Performance Fabric	18mn meters p.a. (Synthetic Woven)	Commissioned, gain momentum from Q1FY27
Modernization	Phase-wise technological upgradation	Q4FY26
Green Energy	40% green power generation target	FY27E

Source: VTL AR2025, Progressive Research

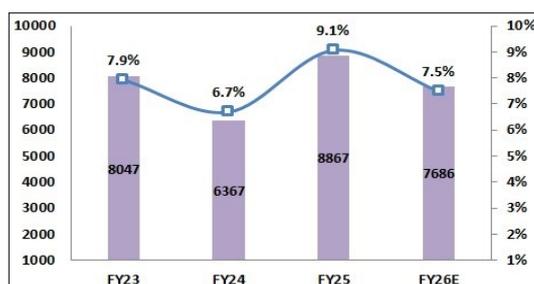
**Financials (contd.): Capex Plans (contd.):** An open-end project involving 6,624 rotors is also underway. These expansions are expected to bolster the company's production capabilities and potentially improve its market position. The company intends to invest major part of the capex chalked i.e. ~Rs18-19bn to **modernize its spinning division**, automation technology upgradation and increase its reliance on green energy. The capex will not lead to a significant increase in yarn capacity but will enhance VTL's current operational productivity and is aimed at creating flexibility and optimize cost. Modernization will also help the company expand its product range, especially value-added products, to meet the evolving needs of its customers and diversify its customer base, given the increase in export momentum. As mentioned earlier, VTL is expanding its **processed fabric capacity** at Vardhman Fabrics, Budhni (Madhya Pradesh) by ~31mn meters per annum at a total capital investment of Rs4bn; which is already commissioned and ramp up is expected by Q1FY27. Following the expansion, revenue contribution from the fabric segment is expected to rise to 40% in FY28E, up from 34% in FY25. VTL is focusing to diversify its fabric business by **foraying into synthetic filament-based fabric (MMF)** by incurring an investment of Rs3.5bn, taking into consideration the wide use of MMF in garments. The initiative will add 18mn meters per annum of dedicated capacity for outerwear products. ~75% of the capacity will be polyester based while the rest will be nylon. Diversification into MMF will help VTL broaden its product and customer portfolio. Additionally, this shift towards a **higher margin** product category is likely to aid in enhancing overall profitability. This plant has been commissioned and the scale up is expected from Q1FY27 onwards.

Exhibit 17: Revenue Trend (Rs in mn)



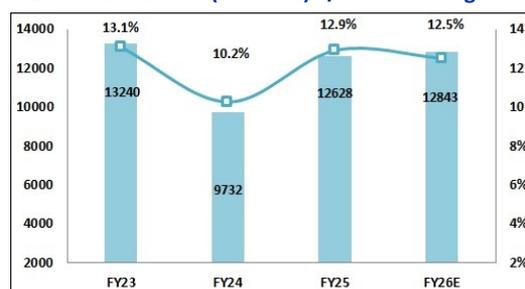
Source: Annual Reports, Progressive Research

Exhibit 18: PAT (Rs in mn) v/s PAT Margins



Source: Annual Reports, Progressive Research

Exhibit 19: Ebitda (Rs in mn) v/s Ebitda Margins



Source: Annual Reports, Progressive Research

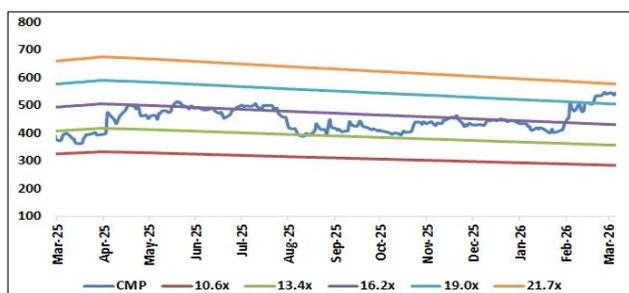
**Green Power/Sustainability:** VTL has committed ~Rs8.5bn toward a suite of green initiatives, including the deployment of biomass boilers and development of solar and wind energy projects. These efforts are designed to significantly elevate the company's green energy footprint, targeting a consumption share of 25-30% within the next two years (currently around 3%). These projects will reduce the company's operational cost and carbon footprint, enabling it to cater to brands emphasizing sustainability.

#### Risks and Concerns:

- **Economic Scenario:** around 40-45% of the revenue for the company comes from exports and thereby any slowdown in the global economic scenario would impact the performance
- **Government Regulations/Policies:** textiles is one of the sectors that is incentivized by the government from time to time; any changes or reversals in the same could impact the company. The commodity nature of business is to be dealt with across the sector. Clarity on the tariff part remains a key factor currently to decide the future plans of the sector and the company as a whole
- **Volatility in Cotton Prices:** is the major cost component for a spinning mill (~60%) which impacts the company's margins and could also impact the demand scenario. Any inability to pass the impact of increase in prices can weigh on the margins
- **Technological Disruption:** and rapid technological advancements may render existing manufacturing processes obsolete
- **Expansions in Place:** any delay with regard to stabilization of new capacities could hamper the performance going forward
- **EU CBAM:** the European Union's Carbon Border Adjustment Mechanism (CBAM) could impose carbon taxes on Indian textiles if they are deemed carbon-intensive. VTL's investment in green power is a direct mitigation strategy for this
- **Polyester Shift:** in inflationary times, consumers may downtrade from cotton to polyester
- **Recent Uncertainties:** include Remission of Duties and Taxes on Exported Products scheme (RoDTEP) rebate cuts and further top up of Iran-Israel/US war. The recent reduction in benefits by ~50% (across all product categories) outlayed under RoDTEP is expected to increase the cost of Indian exports and lead to reduction in refunds of embedded domestic taxes (state taxes on fuel, electricity duties). Furthermore, the latest issues in Middle East is imposing re-routing of shipping lines which can increase the freight costs and the transit times as well to the key markets of the US and the EU

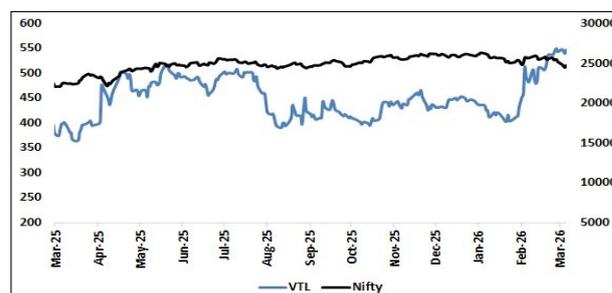
**Outlook and Recommendations:** After the **consolidation phase** witnessed for last few years, there were some signs of recovery witnessed in FY25 with respect to the global demand for the textile sector, with inventories getting to the normalized levels and in some cases, even below optimal, providing that needed additional support. But it was short-lived with different tariff combinations bombarded for India and other countries competing for the same markets. It still stays unclear, awaiting concrete clarity for better business moves ahead. The trade agreements with EU would lead to incremental growth for the company. The removal of the import duty has provided temporary relief to the sector. VTL with its strong market positioning and robust balance sheet is well placed to capture the consolidation theme in the Indian textile industry. Also, with the largest domestic spindlage, it is in a sweet spot to benefit from the increasing spreads between yarn and cotton prices. VTL is India's largest **fully integrated textile** company, transformed from a mid-sized spindle company to a textile powerhouse with leading presence across yarn and fabric segment. It is the largest player in the country in terms of number of spindles (capacity of ~1.25mn+ as of 9MFY26). Despite the commoditized, highly capital and labour intensive nature of textile industry; VTL is amongst very few textile companies that have been able to consistently and successfully operate with comparatively lower leverage. In order to insulate itself from the volatile yarn business, the company has been constantly scaling-up its presence in **high margin** woven cotton fabric segment. The company remains committed to fully utilising its **expanded capacity by FY28E**. Backed by strategic foresight, operational agility and deep customer engagement, VTL is confident in its ability to leverage this expansion to accelerate growth and strengthen its market leadership. The company is **well strategized** to enhance the overall business going forward. The strategic expansion will strengthen its market position, support economies of scale and ensure timely delivery to clients, driving sustainable growth. It is also **focusing on value added product portfolio**; initiatives including handling more fibres and expanding into new areas, such as 100% synthetic filament-based fabric with an overall increase in its product basket. With regard to the capex plan pertaining to installation of new capacity of **technical textiles** producing 15lk meter fabric/month; the commercial production from the technical textiles plant at Baddi (HP) has commenced w.e.f. 01st Mar'26. The strategic enhancement will enable diversification into synthetic fabrics, broadening the overall product portfolio. More critically, it will facilitate a shift away from grey fabrics toward dyed and processed alternatives; value-added segments that are experiencing strong and growing demand from both existing and prospective customers. VTL is looking at **commitment to sustainability** through significant investments in green power aiming to substantially increase the share of green energy consumption, driven by customer demand. By integrating energy-efficient technologies and sustainable materials; it aims to minimise environmental impact, meet global standards and attract eco-conscious consumers, thereby enhancing its brand reputation and competitiveness. VTL is working towards **strengthening global partnerships** with key apparel brands fostering long-term collaborations. This strategy enhances supply chain reliability, secures consistent orders and expands market reach, positioning it as a preferred supplier in the competitive global textile industry. As per last update, VTL hopes and anticipates market stabilization by Q4FY26. The diversified portfolio spanning domestic and non-US export markets has provided critical stability with utilizations in the range of 90-95% for spinning. The US-based customers have been very cautious in placing their orders and the orders are delayed by about 30-45 days and also the quantity has been lower by 20-25%. Despite these market disruptions, the fabrics division has delivered performance at par with previous year. There is some impact anticipated in Q3/Q4, which are historically export-heavy months. Despite substantial market disruption, the fabric segment sustained 90% capacity utilization, validating the strategic positioning and operational agility. Backed by strategic foresight, operational agility and deep customer engagement, the company is confident in its ability to leverage this expansion to accelerate growth and strengthen its market leadership. The spinning company will not be impacted significantly due to the US tariffs, however there will be pressure on the margins in the near term. Large players are likely to maintain stable capacity utilization while smaller players may face headwinds due to lower yarn prices. We expect recovery to be gradual as spinners find alternative buyers to fill in the gap of domestic buyers. Overall in the current scenario, despite having the capabilities most of the textile players are dependent on the tariff related settlements across the global economies which would then provide the clarity as to what next to project for business from different players, VTL being no exception. VTL remains well-positioned to benefit from India's rising prominence in the global textile supply chains, aided by a conservative balance sheet (net debt/equity <0.2x), strong operating cash flows, and prudent capital allocation. We initiate a BUY on the stock for a target of Rs655 over 12 months horizon.

Exhibit 20: One Year Forward P/E



Source: Ace Equity, Progressive Research

Exhibit 21: Price v/s Nifty



Source: Ace Equity, Progressive Research

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