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SUB: TRANSCRIPT OF EARNINGS CONFERENCE CALL OF VARDHMAN TEXTILES LIMITED – 3Q FY26

Sir,

Pursuant to the provisions of Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of the earnings conference call of the Company held on 21st January, 2026 to discuss 3Q FY26 results.

Kindly take the same on record.

Thanking you,

Yours faithfully,
FOR VARDHMAN TEXTILES LIMITED

SANJAY GUPTA

Digitally signed by SANJAY GUPTA
Date: 2026.01.24 15:33:42 +05'30'

(SANJAY GUPTA)
COMPANY SECRETARY

"Vardhman Textiles Limited Q3 FY-26 Earnings Conference Call"

January 21, 2026

MANAGEMENT: **MR. NEERAJ JAIN – JOINT MANAGING DIRECTOR, VARDHMAN TEXTILES LIMITED**
MRS. SAGRIKA VIR – EXECUTIVE DIRECTOR, VARDHMAN TEXTILES LIMITED
MR. SUSHIL JHAMB – DIRECTOR (RAW MATERIALS), VARDHMAN TEXTILES LIMITED
MR. RAJEEV THAPAR – CHIEF FINANCIAL OFFICER, VARDHMAN TEXTILES LIMITED
MR. MUKESH BANSAL – HEAD (FABRIC MARKETING), VARDHMAN TEXTILES LIMITED
MR. VARUN MALHOTRA – HEAD (FINANCE), VARDHMAN TEXTILES LIMITED

MODERATOR: **MS. ARADHANA JAIN –BATLIVALA & KARANI SECURITIES INDIA PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Vardhman Textiles Q3 FY '26 Earnings Conference Call, hosted by Batlivala & Karani Securities India Private Limited.

As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Aradhana Jain from Batlivala & Karani Securities India Private Limited. Thank you, and over to you, ma'am.

Aradhana Jain: Thank you, Ikra. Good evening, everyone. On behalf of B&K Securities, I welcome all participants and the Management of Vardhman Textiles to the call.

From the Management, we have Mr. Neeraj Jain – Joint Managing Director; Mrs. Sagrika Vir – Executive Director; Mr. Sushil Jhamb – Director (Raw Materials); Mr. Rajeev Thapar – CFO; Mr. Mukesh Bansal – Head of Fabric Marketing; and Mr. Varun Malhotra – Head of Finance.

Without further ado, I would like to hand over the call to the Management for their opening remarks, post which we can open the floor for the Q&A session. Thank you, and over to you.

Sagrika Vir: Good afternoon, everyone. Thank you for joining the Quarter 3 earnings call for Vardhman Textiles. Our overall performance for the quarter remained broadly in line with the corresponding period last year and similar to year-to-date basis.

The EBITDA margin for the quarter was at about 15% compared to 16% quarter-on-quarter. On a year-to-date basis, EBITDA margin was around 15% versus 17% last year. The operating environment during the quarter was marked by cost volatility, demand disruptions and global trade uncertainties. However, disciplined execution and operational focus helped us maintain overall business stability.

At the capacity utilization front, yarn utilization was at around 95% and fabric utilization was at about 89%, 90%. This is regarding cotton. The quarter continued to be impacted by elevated Indian cotton prices.

During Quarter 3, cotton traded at about \$0.75, \$0.78 per pound, rising further to around \$0.79 per pound in Jan '26. This has been driven primarily by 8% increase in MSP. This has made Indian cotton structurally more expensive if we compare to global benchmarks.

In the current cotton season, CCI has procured approximately 85 lakh bales out of total arrivals of 175 lakh bales. This accounts to 50% of arrivals. And in the present scenario, CCI is absorbing about 75%, 80% of daily arrivals. This has constrained open market availability and supports higher prices. The absence of a transparent selling framework by CCI continues to add uncertainty for mills.

The duty-free import window from August to 31st December 2025, resulted in higher cotton imports because imported cotton was relatively cheaper. However, from 1st Jan, the 11% import duty has been reinstated. This puts us at a relative disadvantage to competing countries like Bangladesh and Vietnam, which continue to enjoy duty-free imports.

During the quarter, New York Futures traded at about $0.63 to $0.65 per pound, translating to a landed cost of about $0.72 to $0.75 per pound for mills in Vietnam and Indonesia. If we compare this to Indian mills, they are at $0.75 to $0.78, creating a $0.03 to $0.04 per pound cost disadvantage even before accounting for quality and contamination differences.

Additionally, this year, cotton crop is estimated at 292 lakh bales. This is below last year's 297 lakh bales and significantly lower than domestic consumption of around 322 lakh bales. This implies a supply deficit of nearly 30 lakh bales, which will need to be met through imports.

The Yarn business experienced a mixed environment during the quarter. While the first half of the year was relatively stable, Quarter 3 saw pressure due to tariff-related disruptions, both in garment exports and home textiles. There was also excess global capacity and cautious buying behavior. Domestic demand remains soft, while exports showed selective improvement, largely driven by specific product categories.

Indian yarn exports improved in December to around 115 million kgs. If we compare this to an average of 100 million kgs, we can see an improvement. This is driven primarily by contamination-free yarns.

Yarn prices, therefore, have improved by approximately $0.15 per kg, especially over the last 30 days. However, this has not fully offset elevated cotton costs. As a result, margins remain under pressure despite stable utilization. Our focus continues to be on disciplined capacity utilization, selective price recovery and increasing value-added yarns.

On the Fabric business front, we operated in a challenging external environment during Quarter 3. Expectations of an early resolution of the tariff war have not materialized and U.S. buyers continue to adopt cautious and selective sourcing approach. This has increased competitive intensity and elongated decision cycles. Despite these headwinds, Fabric business delivered a resilient performance, supported by ongoing new product development, customer diversification and strong operational execution.

A key strategic milestone during the period was the commissioning of Vardhman Performance Fabrics, which is focused on performance wear. We will start building scale from Quarter 1 of next financial year. We have already begun servicing select domestic orders and our focus remains on development for international customers.

In parallel, the fabric expansion at Budhni on our existing cotton blend lines has also been commissioned, and it is expected to gain momentum from Quarter 1 next year. This enhances our ability to service larger programs, improve responsiveness and support premium fabric categories.

We continue to diversify in non-U.S. markets to mitigate tariff risk. So, we are focusing on countries like EU, U.K., Australia, Canada, and we are confident that our efforts will bear fruit in time.

A quick update on our green initiatives. 9% of our total demand is green power. And in FY '27, we are in line to increase this to about 49%, 50%.

We now open the floor to questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Awanish Chandra from SMIFS. Please go ahead.

Awanish Chandra: Thanks for this opportunity, and congratulations to the Management team on a moderate performance, despite difficult situation. In the opening remarks, you have already talked about the pressure on the margin and structurally, we are having higher cotton price. But sir, my question is, if I look at average cotton price in Quarter 2 in India and Quarter 3, there was a quite substantial decline on the average basis between Quarter 3 and Quarter 2. So, I understand the point you have talked about structurally thing, but was there any inventory loss because of this decline in the cotton price versus Quarter 2 in India?

Neeraj Jain: No, for us, fortunately, it was not there because Quarter 2 and we didn't have much of a cotton available to us. And whatever we bought, I think we bought at the right prices. So, for us, there was no inventory loss to that extent.

Awanish Chandra: Okay. And we never had this advantage of declining cotton price on an average basis in India in Quarter 3, because on a spot, if I look at the spread, it looks like margins would be improving, but that did not happen in the numbers.

Neeraj Jain: No, that's true because in India, we had a different situation. The U.S. tariff, this was applicable from 27th of August. So, though our cotton prices to some extent came down, but at the same time, the advantage could not be realized, because the yarn prices or the fabric prices came down because there was relatively lesser demand in India from our customers who were ultimately sending goods to U.S.A. in terms of home textiles or the garments. So, that advantage could not be realized by the Indian spinners or the Indian fabric producers.

Awanish Chandra: Okay. And sir, in the opening remarks, ma'am talked about capacity management in fabric. So, what is the current capacity after expansion on a yearly basis, our new capacity will move on fabric?

Sagrika Vir: So, our earlier capacity used to be about 145 lakh meters per month, and I am talking about processed capacity. And so now this has increased to 185 lakh meters per month and additional 15 lakh meters in the performance there, in technical textile. So, total 200 lakh meters per month.

Awanish Chandra: Okay. On the processed side. On the gray basis, what the number would be?

Sagrika Vir: On the gray, we have not increased any capacity. So, whatever processed capacity we have, we keep some additional for servicing. It's more than the processed capacity.

Awanish Chandra: Okay. So, on a yearly basis, the gray, we used to talk about 2,300, 2,400 lakh meters that remains as it is?

Sagrika Vir: No change.

Awanish Chandra: Okay, ma'am. And sir, last thing, a lot of people were expecting that this import duty will be continued, but it never happened. So, any indication from the government whether this import duty exemption will be reinstated? Any talk from the government side?

Neeraj Jain: So, yes, we have been talking to the government, both the Textile Ministry as well as Agriculture Ministry also. So, therefore, yesterday also CITI had a conference with the Ministry of Textile, Secretary Textiles. They listened to our issues and concerns, but let's see what happens.

Awanish Chandra: Okay, sir. Okay, I will come back in the queue. Thank you very much.

Moderator: Thank you. The next question is from the line of Monish Ghodke from HDFC Mutual Funds. Please go ahead.

Monish Ghodke: Sir, thank you for the opportunity. Sir, you said that your cotton inventory at the end of Q2 was minimal. But if I see the half yearly balance sheet disclosure, the inventory is around INR 3,700 crores as on September '25. And if I compare it to the previous year, September '24, it's INR 2,700 crores. So, it was higher than the normal. So, what were the key reasons for the same?

Neeraj Jain: The inventory we were talking of on the cotton basis. Was there any loss on the cotton? So, there was no loss on the raw cotton, whatever was available to us, because that inventory was relatively lower 30th of September. Since our capacity utilizations have increased, our overall business levels has improved, so the total inventory includes the finished goods, WIP, everything together.

Monish Ghodke: Okay. So, there was no larger than normal cotton inventory as on September end?

Neeraj Jain: No, it was slightly higher because on 30th September, we had started importing cotton. It was duty-free regime by that time. Though the inventory could be a little more than the last year, but there was no inventory where the losses would have happened, because the higher cost inventory was relatively lower to us.

Monish Ghodke: Okay. And sir, could you share EBITDA margin for Yarn and Fabric business separately?

Neeraj Jain: As a company, we share the textile, we consider it as a Textile division only. Generally, we don't share that number.

Monish Ghodke: Okay. And sir, now this EU FTA is in final stages. so 6 months back, no one was expecting that it will happen so soon. So, is there any rethought about getting into garmenting now?

Neeraj Jain: Of course, there are thoughts going on what should be done on the garmenting division. And earlier this time was whether we really want to continue with the business or not. But I think there's one instance which has changed that we are likely to enhance the capacity of Garment division. We intend to make it to the double from the current capacity.

But again, there will be very, very miniscule looking at the total company size. So, once we are in a position to do this, I think it's only beyond that, we will look at whether we should really expand it in a big way or not. But the earlier stance is surely changed today, where we are enhancing the capacity. We are doubling the capacity at least whatever we have today.

Monish Ghodke: And sir, if I see your pre-COVID margins, at an aggregate level, it used to be around 18%, 19%. And as you have rightly said, multiple times that Indian cotton used to be cheaper as compared to NY Futures, and now it has become expensive. So, what is the way out here for the industry to improve margins? I am talking about Spinning side or it will continue like this in the medium term?

Neeraj Jain: No. It looks like in today's situation, the improvement may not happen in a bigger way. But of course, we are also looking at the repercussions of these are already seen in the country, where last 2, 3 years, we have seen almost 12 million, 13 million spindles have been closed permanently. There's no expansion happening. So, ultimately, the demand supply will take care of it. And eventually if another 5 million, 7 million spindles gets stopped into the country, I think then the demand would start improving and then again, the margins will start improving.

Two, in any case, unless our raw materials are available to us at the international parity. I do not think on a basic commodity, anyone can really make money if your raw materials are expensive. So, that decision government will have to do sooner or later.

Third part is your cost initiatives and the product mix of the customer mix, which is in our control. There's lots of work going on both in the yarn and the fabric division to that extent, and I am sure that has given us these kind of results also, and we are still working very aggressively on these ideas. Fortunately, the EU FTA will happen. So, there will be more opportunities for the Indian garmenters to do better over there. So, I think there are some pockets which are available, which are controllable, and we are trying to look at what best could be done out of that.

Monish Ghodke: Okay. Sir, last question, how much cotton did we import in Q3?

Neeraj Jain: Yes, we have imported lots of cotton. Quantity, I think let's not share that.

Monish Ghodke: Okay. Thank you, sir.

Moderator: Thank you. The next question is from the line of Prerna Jhunjhunwala from Elara Securities. Please go ahead.

Prerna Jhunjhunwala: Thank you. So, just wanted to get some clarity on how tariffs has impacted this quarter? And in terms of revenue, EBITDA, if you could share something for both Yarn and Fabric businesses? And how you are dealing with the pressure coming in from customers in the current scenario?

Sagrika Vir: Yes. So, tariffs have definitely had a negative impact on our business. First, let's talk about the overall picture. So, when it comes to our customers, especially in the U.S., the sentiment is poor. And most of our customers, they are not willing to take long bets. So, some are delaying the decision-making cycles. Some are recalibrating prices, some are recalibrating supply chains. And of course, now with the current geopolitical risks, which have been added, they definitely make the situation worse. So, that's on the macro front.

Now it will be very difficult for us to share exactly how much the impact it has had on EBITDA. But on a case-to-case basis, we have supported some of our customers, because we have prioritized securing long-term relationships with them. It has a marginal impact, not a big impact. But in fabric if you compare last year this quarter, we had 100% capacity utilization. And this year, we are at 10% capacity utilization less. So, you can see the impact on volumes from that.

Prerna Jhunjhunwala: Okay. And how has been the domestic market in both Yarn and Fabric businesses for us, apart from the U.S., leaving aside U.S. business?

Sagrika Vir: The domestic market has been stable. Some pockets are doing well, some large format retailers have had some inventory optimization that they have conducted. But overall, domestic has remained stable. And as for Yarn, domestic prices have remained soft. So, we have seen export market improve more on the Yarn front, domestic has remained a bit soft.

Prerna Jhunjhunwala: Okay. And in exports, where are we seeing some green shoots? Because anyways U.S. is not that positive. So, which markets are seeing some traction, which is helping you say that exports is doing better?

Sagrika Vir: You are talking about Yarn?

Prerna Jhunjhunwala: Both the markets, Yarn and Fabric. Fabric, you mentioned that exports is doing much better, but with Yarn it has been soft.

Sagrika Vir: No, no, that was for Yarn.

Neeraj Jain: So, on the Yarn side, I think it's the Indian garmenter where the concern is more, but when it comes to Bangladesh, Vietnam or Sri Lanka or China, they are doing pretty good. In fact, last 1 month, there's been a lot of demand from China for the yarn again, because of maybe some concerns on the Bangladesh, etc. We are finding the yarn prices have started improving since last 1 month, and there's at least improvement of $0.10 to $0.15 per kg of yarn, thanks to the fresh demand from China.

Prerna Jhunjhunwala: That's interesting. So, sir, do we see profitability improve going forward, given that there was a decent period for us to import cotton and the prices were lower. So, near term looks somewhat stable than in the past?

Neeraj Jain: So, I can talk of the industry average only. So, whosoever has the imported cotton, maybe there could be some gain coming to them in maybe next 2, 3, 4 months, whatever cotton stocks you have. But unfortunately, the Indian cotton prices are again very high. In this period, CCI has been buying most of the cotton. They are virtually today the monopolistic stockist as of now.

And the new sale policy, which they have decided day before yesterday, they have come up with a price range of INR 56,900 for Shankar, and if I convert it into U.S. cents, it's almost $0.80 per pound. And with the New York Future of $0.64, $0.65, the Brazilian is available at $0.72, $0.73 to most part of the world. So, we are again higher by about $0.08 per pound. So, to that extent, I think on the incremental basis, I do not see the margins improving unless the yarn prices increases further.

But if I look at it from the New York Future or a Brazilian cotton available to a Vietnamese, today, as on today, they would be touching almost $0.90 to $1 conversion margin today, which is seen after a long time. But India, since our cotton is almost $0.07, $0.08 per pound expensive, so I convert it on a per kg basis, we still have a disadvantage of about $0.20 per pound to that extent. So, our margin will be in the range of about $0.70, $0.80; whereas, for the other countries, it would be touching almost close to $1 today.

Prerna Jhunjhunwala: That's a big difference.

Neeraj Jain: Yes.

Prerna Jhunjhunwala: So, sir, are you seeing further capacity closures in the industry in the Yarn business?

Neeraj Jain: Yes, it will continue to happen. Lots of capacity in India is very old and their costs are also high because they are not modernized. So, when we are talking of $0.70, $0.75, we are talking of a good efficient mills. But all these capacities, which is relatively in the semi-organized sector or with a higher cost, nonautomatic technologies available to them, their cost will be surely higher than this.

For them to survive in these circumstances, it continues to be very, very difficult. So, I think personally, if you ask me, when 11 million, 11.5 million spindles are already closed, so figure reaching to 15 million spindles in the next 1 year, unless the raw material prices are corrected, it can happen. It will be unfortunate, but it can happen.

Prerna Jhunjhunwala: Yes, makes sense. So, sir, a few questions on CAPEX. You mentioned about garment capacity to double. By when do you expect it to double?

Neeraj Jain: Yes, we are working on it. I think it's a small capacity, 6,000, 7,000 shirts. And whenever we start the project, it will take us about 8 months-or-so to complete that. But it's not really a major CAPEX. So, the major CAPEX was in the Spinning business on modernization, and one of our small expansions at --- (Inaudible), but the bigger capital expenditure was planned on the Fabric side. That's going on as per schedule only, all the expenditures, whatever was planned last year, that's almost on line.

Prerna Jhunjhunwala: So, that will get commissioned by the end of this quarter, so...

Neeraj Jain: Yes.

Prerna Jhunjhunwala: Okay. How do we expect it to get utilized over a period of time? Because given the current geopolitical situations that are there, especially for the new business, the Synthetic Fiber business. I just wanted to know the efforts that you have taken to sell it when it gets operationalized? Any tie-up?

Sagrika Vir: So, in next financial year for the performance wear, we are targeting capacity utilization upwards of around 60% for the full year.

Prerna Jhunjhunwala: Okay. And any tie-ups and all being done to ensure this number gets achieved?

Sagrika Vir: So, we want to maintain a healthy balance between domestic and export, especially given geopolitical dynamics. So, we like to have a strong domestic base, and also well-diversified export base. So, current focus is on development. So, some developments are coming from our existing customers. And because they also have this product portfolio and a lot of new customers, which are focused on sports and outerwear, they are also being added. No long-term tie-up, but we have had partnerships with these customers over the years. So, you can expect strong collaboration with those customers.

Prerna Jhunjhunwala: That's fantastic, Sagrika. Thank you, and all the best.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the Management for closing comments.

Sagrika Vir: So, to conclude, the operating environment remains demanding, with persistent cost pressures, trade disruptions and evolving global sourcing patterns. However, actions taken over the past few years have strengthened the foundation of our business. So, we continue to focus on controllable levers like portfolio premiumization, operational efficiency, cost discipline, customer-centric approach.

Strategic investments in fabric capacity, performance textiles and yarn modernization position us well for the next phase of growth. While near-term visibility remains limited, we hope and pray that global trade conditions will stabilize. Our integrated capabilities, and a diversified customer base should create meaningful differentiation.

Thank you so much for your faith in our organization, and have a good day.

Moderator: On behalf of Batlivala & Karani Securities India Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.