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11th May, 2026

To,
BSE Limited
Listing Dept./ Dept. of Corporate Services
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400001

To,
National Stock Exchange of India Limited
Listing Dept., Exchange Plaza, 5th Floor
Plot No. C/1, G. Block
Bandra-Kurla Complex
Bandra (E), Mumbai - 400051

Security Code : 500101
Security ID : ARVIND

Symbol : ARVIND

Dear Sir / Madam,

Sub.: Transcript on AAML acquisition Investor call

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of Investor call for Arvind Advanced Materials Limited ("AAML"), a wholly owned subsidiary of the Company's acquisition.

The above disclosure is also available on the website of the Company at www.arvind.in.

Kindly take the same on your records.

Thanking you,

Yours faithfully,
For, Arvind Limited

Pritesh Shah
Company Secretary
Encl: As above





“Arvind Limited
Acquisition of Arvind Advanced Materials Limited”

May 07, 2026



MANAGEMENT: **MR. PUNIT LALBHAI – VICE CHAIRMAN – ARVIND LIMITED**
MR. JAYESH SHAH – WHOLE TIME DIRECTOR AND GROUP CHIEF FINANCIAL OFFICER – ARVIND LIMITED
MR. NIGAM SHAH – EXECUTIVE DIRECTOR AND CHIEF FINANCIAL OFFICER – ARVIND LIMITED
MR. GURPREET SINGH BHATIA: – CHIEF EXECUTIVE OFFICER AND PRESIDENT – ADVANCED MATERIALS DIVISION BUSINESS – ARVIND LIMITED
MR. MAYANK TIWARI – CHIEF STRATEGY OFFICER – ARVIND LIMITED
MR. AMIT PAL – CHIEF EXECUTIVE OFFICER, INDUSTRIAL COMPOSITE DIVISION – ARVIND LIMITED
MR. SATYA PRAKASH MISHRA – HEAD, INVESTOR RELATIONS – ARVIND LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Conference Call for announcement of acquisition of Arvind Advanced Materials Limited. As a reminder, all participant line 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 star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Satya Prakash Mishra. Thank you, and over to you, sir.

Satya Prakash Mishra: Good afternoon, everyone. It's a pleasure to be with you once again. We are meeting a little earlier than expected just before the results to discuss the important corporate action of announcement of acquisition of Dalco-GFT by Arvind Advanced Materials Limited. I hope everyone has gone through the presentation and other materials we have put out and uploaded to the stock exchanges.

Let me introduce the management team that I have with me. We have Mr. Punit Lalbhai, the Vice Chairman; Mr. Jayesh Shah, Whole-Time Director and Group CFO; Mr. Nigam Shah, Executive Director and CFO; Mr. Gurpreet Singh Bhatia, CEO and President of Arvind Advanced Materials Division; Mr. Mayank Tiwari, the Chief Strategy Officer of Arvind Limited; and Mr. Amit Pal, the CEO of our Industrial Composite division.

At the outset, we would like to mention that the company is in the process of announcing its annual results for FY '26 shortly. In view of this, we will refrain from discussing detailed financial numbers or business performance during today's call other than the matters directly related to the announcement of the transaction. We, therefore, request participants to kindly confine their questions to the acquisition only.

Let me now briefly take you through the transaction of acquisition of AAML. Dalco-GFT is a company which got established in 1988 and has a proven track record of 4 decades. Dalco-GFT has 2 manufacturing units based out of U.S., South Carolina and North Carolina. It has capacity of 75 million pounds and it has achieved a growth rate of 10% with a margin of 17% and before acquisition return on capital of 40%.

The acquisition is expected to accelerate Arvind Advanced Materials Limited's global footprint and reduce the supply chain risk that is associated with current geopolitical situation. It gives access to a massive TAM of \$2.5 billion across all segments. It is currently operating a needle punch non-woven technology in USA which is a technology adjacent to AAML's industrial production and filtration capability. It also has existing access to customers of around 75 with exclusive access to 88% of its supplier base.

This transaction is structured in a way to be beneficial to AAML. We have acquired 61% stake in the company at a valuation of 7.75x of calendar year 2025 reported EBITDA. The transaction is valued at \$136 million.

I'm also happy to inform all of you that the entire existing top management will be continuing with us and completely aligned with our vision of taking this company forward. The current deal at the valuation that I have just described is both margin accretive and EPS accretive at Arvind consolidated level. The current acquisition is funded through a combination of debt at both our Arvind Advanced Materials Limited and debt at the target company Dalco-GFT, this is to ensure that we take the benefit of taxation at both geographies.

The financial ratios post acquisition of Dalco-GFT is within the covenants that we have already signed in for. We expect this to improve in 12 months' time. We are very happy to have this acquisition done. All the financing transaction has been closed, and it is now completed.

With that, I conclude my opening remarks. Let me allow the operator to open the lines for questions.

Moderator: Thank you very much. First question is from the line of Sundar S. from Avendus Spark. Please go ahead.

Sundar S: My first question is with regards to volumes. What is the current volumes that this particular entity does you understand that the capacity is about 75 million annual pounds and capacity. What is the utilization?

Satya Prakash Mishra: Utilization is around 85% of the capacity.

Sundar S: Then we would have to put in additional money for capex?

Satya Prakash Mishra: There is already a plan to put in approximately \$5 million of capex every year. And the company is generating very good cash flows. So it will find out that those capex is through internal accruals plus have money left over to pay down debt.

Sundar S: No, I just wanted to understand as to how is the balance sheet going to look in terms of what is the asset quantum that we're taking over? What is the working capital on books? And what would be the goodwill that you're guiding on Arvind Limited books?

Satya Prakash Mishra: So the working capital number, just to tell you, the first number is about 60 days, which is exactly in line with what we have in Arvind Limited. And we will continue to have that number. Let me have the goodwill number worked out for you. We can probably take that as a next question.

Moderator: Next question is from the line of Surya Narayan Nayak from Sunidhi Securities.

Surya Narayan Nayak: Yes. Congratulations for the great set of acquisition. So just to understand what is the specialty of this company and whether the \$5 million of capex every year, that will be sufficient to take the growth of aspirations of 10% CAGR? Or you see more scope is there?

Punit Lalbhai: So at the outset, first, let me say that I'm extraordinarily excited by this acquisition. See in this space, the company operates in a technology called needle punched nonwovens. That is the same

technology we use for our filtration business in India. They use it for automotive and geotextiles. Those are the 2 big segments.

Now if we had to start this from scratch, it would take us better part of a decade to achieve any scale in this business. So what this acquisition does is it gives us immediate scale and a very large addressable market in a technology that we understand very well. It is also a very tightly run operation.

And we are retaining the entire management team who still own 39% of the equity stake at the company. So the incentives are aligned, spent a lot of time with Joey Duncan, who is the founder of the business, Matt Sims, who's the CEO. David, Brian, Odra, they have a fantastic team, and there is a very good alignment of philosophy, strategy, thought process and chemistry.

It is a very automated process, manufacturing process. So it requires not too much workforce to manage in the U.S. So from many, many perspectives, us knowing the technology, great team, having ability to manage and highly profitable and performing very well with the customers. So getting this sort of asset is not at all easy to do. So I'm particularly happy.

Your question was around capex and the thought process. So I think there are multiple levels of unlocks that will happen with this asset in Arvind. I think the first unlock is a more aggressive growth trajectory than in the past. They were very focused because they were primarily private equity owned, they were more focused on unlocking efficiency and unlocking profitability, which they did a very good job of in the last 3 to 4 years.

Now I think we are going to shift gears in terms of growth and particularly with the infrastructure we signed in the U.S., the opportunity to grow in geotextiles, while maintaining the sort of salience with automotive customers, I think that's the first sort of unlock that will happen in our hands. Because we are at 85% capacity utilization, and we will do a \$5 million capex every year, we should be able to grow in the mid-teens rather than 10%. That is our ambition going forward.

I think it is important to note that this product needs to be manufactured close to the consumption. So we are going to keep the manufacturing in the places that it is already there. And there is sufficient space to at least for 2 years to keep adding lines in the same 2 manufacturing locations of the company. So I think it is very doable to grow at the mid-teen level. We will continue to remain close to the point of consumption. And the second order and third order synergies would be us bringing those technologies to India to address the Indian market as it grows, and us taking our knowledge and other product categories because we have same manufacturing platform, both in India and to the U.S. So taking our products to the U.S., bringing some of their products to India and then using that sales channels to sell other products overall. So those are the various levels of synergy that will be unlocked as we go forward. So we are excited for a number of these reasons that I just mentioned. Hope I was able to answer the question.

- Surya Narayan Nayak:** I mean just another follow-up question is that is the company only focusing on the U.S. market because if the automotive was the case and, I guess, Mexico and Canada also could be a favorable market for the company. So are they present in those markets as well?
- Punit Lalbhai:** No, they are not. Because if I have to be present in Mexico, I have to have a line in Mexico. The radius of many of these products is not beyond 500 to 700 miles because then the transportation costs start to add up. But yes, the opportunity is there that once we exhaust these facilities, we can expand in other logical areas like Texas or Mexico or there are many options. We haven't given deep thought to that yet because there is still a lot to do from these 2 facilities, and there is a lot of headroom without thinking of branching too far beyond the current radius of operations.
- Surya Narayan Nayak:** What could be the gross block of the company, if you can give a figure if you are ready with it?
- Punit Lalbhai:** I think it's around \$25 million, but let me confirm and just get back on that.
- Surya Narayan Nayak:** Because it's \$25 million, is that obviously, for \$5 million, it makes sense, but it looks like at 85% utilization factor, we have nearly existing and we're at the upper end of the utilization factors. So I mean, we should be looking at some other expansions beyond that. I mean \$5 million, it could be a kind of more of a maintenance capex or it will growth capex?
- Punit Lalbhai:** No, \$5 million is a new line. So a line \$4.5 million, \$5 million.
- Surya Narayan Nayak:** So how many lines at the moment?
- Punit Lalbhai:** We have 6 lines and 3 of them, 4 of them have been just sort of upgraded. So there is enough and more capacity for the next year, and we're refining the capex soon so that the year after that is taken care of. So we will ensure that we have enough capacity to grow at 15%. Capacity will not be a constraint to our growth.
- Surya Narayan Nayak:** So how much lines the facility can accommodate?
- Punit Lalbhai:** We can accommodate 3 more lines in the space that we have
- Moderator:** Next question is from the line of Prerna Jhunjhunwala: from Elara Securities.
- Prerna Jhunjhunwala:** Congratulations on this huge acquisition that has been done really impressive. So just wanted to understand the competitive landscape there how the growth market has been growing? And what is the type of customers that you're dealing with? And what is the concentration ratio, whether of customers in this company?
- Punit Lalbhai:** So the market is a large market. So as Satya mentioned, total addressable market is very large, it's in the billions with this technology platform. The sort of automotive segment, which is the largest segment, tends to grow at 3% to 4% but noise and vibration reduction, which is the main product category of this company tends to grow at a slightly faster clip of 6-7%.

And then balance, there is the opportunity to gain market share. They are present with the 6 largest Tier 1 in the country that supply all the automotive OEMs, and the platforms that they are specs into are a good mix between American, Japanese and Korean players.

We've done a very harder diligence on the quality of the platforms into which this company is spending, and we are very happy that sort of due diligence has come back quite positive. So we don't see any challenges on the automotive side. The large opportunities in the geotextiles side with the infrastructure bill being signed, there's a lot of infrastructure that's currently built out in the U.S. and the opportunity to grow disproportionately fast exists in this segment and some of the other segments like roofing and flooring where that will make up the growth beyond the natural rate of growth of automotive, which is in the high single digits for this product category.

And by disproportionately growing in the other segments, we will go into the mid-teens. So that's the plan to go forward. As far as customer concentration is concerned, we are quite well balanced. And we are with all the customers that are meaningful in a deep relationship. Our performance track record has been excellent.

We have good customer reviews. So on the customer side, it's a tick in the box. In terms of competition, there is competition. But within the automotive space, for our product category, we are one of the most respected companies out there. Our performance will be top quartile in terms of delivery, price and innovation, all 3.

Geotextiles, we are a young sort of recently started segment. So the opportunity to take market share where there are a couple of companies that are larger is really there for us, and with very sort of little investment in team and people. They've done a credible job in getting specked into the geotextile products. So now is the time to sort of be accelerated there is what we see.

So we'll be exploring all these options. As far as the automotive market is concerned, many of the products are sole sourced. So almost 85% or maybe slightly higher than that even as sole sourced by the customer from only the company. So it's a deep relationship.

Prerna Jhunjhunwala: Understood. So sir, the existing management and has been with the company for how long? And can they help us in even expanding our India business in the U.S.?

Punit Lalbhai: So, the India business will have to manufacture in India, but we can definitely use the knowledge gained from the U.S. entity to create manufacturing of these products in India. And as the Indian market grows, currently the Indian market is much smaller than the U.S. market. But in the future, it's going to be a very large market. So that at some point in time, that will definitely happen.

In terms of the management team, the person that owns highest stake is the founder of the company. So he has been with the company as long as the company has been alive, which is since the '90s, and the team has been together it is formed since the last 7, 8 years. So it's a very stable team. It's a 5-6 decision-maker team which has been doing a fantastic job. And I had the

pleasure to get to know them over the last 3-4 months. And I cannot recommend them better than they are excellent in terms of how close-knit high-performance can be.

Punit Lalbhai: Yes, they all have equity in the company. And in terms of the way the deal is structured, we acquired the balance in 2 tranches, 1 in 2 years and the other at 4 years, and the management team will be more towards 4 years and less towards 2 years, residual equity from the financial invest sponsor is what will go away. So basically, the long-term insights are there.

Prerna Jhunjunwala: Fantastic. Sir, just wanted to also understand the cost pressures, if there are any, like how many employees you have in this form to execute this \$100 million sales and whether do you need to invest into a higher number of employees to get the next leg of growth? Or is there any other cost factor that you will need to take care of to drive a higher growth from the past?

Punit Lalbhai: So the manufacturing process is highly automated. So it's a very marginal addition of workforce to get very high volume throughput. So head count is not going to dramatically increase. We want to strategically invest in creating business development and customer service teams where we want to accelerate growth, but that's a handful of people. It's not going to be like very large numbers of people required to dial up growth.

It's the quality of people that will matter. This company is extremely well managed in terms of its operating efficiency. So the cost per kg of output would be best-in-class. And the reason for retaining this team is because they do such a good job, and that's the real sort of feather in their cap. So cost is not a challenge from an operating perspective.

Prerna Jhunjunwala: Understood. And sir, my last question is on margins. Is there any opportunity of improving margins from here on? Or is it likely to be your top line growth story.

Punit Lalbhai: For a needlepunch nonwoven company, the term metrics are excellent. 17% margin in an automotive or automotive dominated company is very creditable. Also, the return metrics on capital are fantastic. So the focus will be on growth. We would like to maintain margins and grow faster. Of course, with growth and scale operating leverages, et cetera, will kick in. So hopefully, there will be margin expansion, too. But I think the margins are already at very good levels for this industry.

Prerna Jhunjunwala: Understood, sir. All the best and very happy to see more acquisition like textile sector in the U.S. You being one of the largest ones to acquire. Congratulations once again. .

Moderator: Next question is from the line of Vishal Mehta from IIFL Capital.

Vishal Mehta: Yes. Congratulations team for a good acquisition, My question first would be Punit Bhai if you can throw some color on the selling rationale for the promoter, while I understand for the financial investor for the promoter who's been running this for 4 decades. Why sell now?

Punit Lalbhai: So I mean, it was 2 promoters that brought their companies together and grew this from a very insignificant scale to a powerful company to reckon with. So I don't blame them for wanting to

sort of partially take advantage of the hard work that they've done in terms of wealth creation for themselves. But the good news is that a big jump of their equity is rolling over going forward. And it is primarily the financial sponsor whose job it is to sort of build and exit that is exciting.

So, the rationale is perfectly understandable. And the incentives are fully aligned. There is a good chunk of 16%-17% that the founder will still hold in this company and will hold for the entire 4-year period. And hopefully, even beyond in terms of having a deep stake in this entity. And when one interacts with the team, they are really passionate, they really consider this company as theirs maybe. And I think it's not the financial numbers that sort of finally convinced us to pull the trigger on this deal.

It was actually the passion, the competence and the sort of philosophical resonance with these people that, that was the deciding factor. And I've been in this industry for a while, we don't see this so well and clearly in many companies. So I think we got very lucky with the quality of team that is fully incentivized for the next value creation journey. And we've just redone the entire sort of performance-linked long-term incentives of the entire management team. So everybody is sort of raring to go and looking forward to unlocking much more value in the second way.

Vishal Mehta: Sure. That's fair. My second question would be these production lines that we are talking about. Is it similar for all 3 major types of product categories that this company is catering to?

Punit Lalbhai: Without getting too technical, the answer is no. They are broadly the same, but not exactly the same. And there is a very high level of fungibility. Needle-punch nonwovens as a platform itself is very fungible. You can do many things with the same equipment. Of course, you have to do add-on, bolt-ons plus to make it sort of tailor made for the end application. And do it at a better cost. We need to sort of make some modifications here and there. But broadly, it's a simple manufacturing platform that is creating a lot of innovative products. That's a rare combination.

Vishal Mehta: Sure. And third question would be on the raw material side. What would be the key raw materials here and where are we sourcing these RMs from dependency evolving?

Punit Lalbhai: It's mostly polymers. It is basically staple fiber that goes into the line and that staple fiber is generally some form of polyester or polypropylene or a combination thereof. And about 65% to 70% of the polymers are sourced locally in the U.S. a little bit from Korea, a little bit from Vietnam. So it's Vietnam, Korea and U.S., predominantly U.S.

Vishal Mehta: Okay. And just wanted to extend your statement when you said that the manufacturing facility needs to be closer to the consumption center if you can probably elaborate that why that should be the case here?

Punit Lalbhai: Because needle punch nonwovens are high loft materials, basically, you're taking fiber and making a fabric by punching those fibers together. So there's a huge amount of air gaps within the product by design. And so essentially, you are shipping air.

- Vishal Mehta:** Yes. Okay. Got it. Just last clarification, consolidation starts from today?
- Punit Lalbhai:** Yes.
- Moderator:** Next question is from the line of Priyadarshi Mohapatra from FIL.
- Priyadarshi Mohapatra:** I was little bit late in joining the call, but I would want to understand why sellers would like to part way their stake at this point, what would be the motivation? And secondly, whenever Indian companies have gone up and upward outside of India, they have faced certain difficulties as well. So what are the risks that we see to our growth and anything on demand competitive basis, anything that can go wrong and how we can safeguard against that?
- Punit Lalbhai:** I'll answer the second question first. In any acquisition or in any venture there is always difficulty. But I'm very clear that Arvind has to be a global company. The way to create value in Advanced Materials is to have a global footprint that was always part of the plan, and we are delivering on that key aspect of the plan to use acquisition. I think the right question to ask is not why, but how we are managing that risk, and we are managing the risk because in multiple ways.
- First, this is the exact same technology platform that we've been running in India for more than a decade. So we understand it in great detail. Second, we are hardly making any change. We are making no change to the operating team. So basically, we are the wind which beneath their wings, we are not the guys who are going to go there and shake things up. So basically, we are bringing the Arvind power to help them with their aspirations and their ability to grow well.
- So in a way, it is a low-touch model. We will be focused more on brainstorming strategy. We'll be focused more on, of course, putting in control systems and processes. But we are going to leave the team to do its magic, the same magic they have been creating over the last 3-4 years, and we are going to sort of support them with resources to do more magic.
- So basically, acquisitions go wrong when you go in with the sort of intention to change things, move manufacturing to India, reduce cost, try and unlock management cost synergies. Here, the management is such a lean and high-performing team that we're not going to do any of those risky moves that normally, in acquisitions, people try and do to unlock synergies.
- Our way of unlocking synergies will be using their knowledge to build in India using our India knowledge to build newer lines of business there and using the sales channel to send each other's products. So, these don't affect the core of the business running. It is also 2 facilities that are performing at almost the same high level of productivity, and it's less than 150 employees and less than 70-80 blue collar.
- So the footprint is small and manageable compared to the tens of thousands of employees we manage in India. So in many ways, this ticked all the boxes in terms of lower risk of integration. It is already performing at a high level. We just have to help them do more of the same, without really getting in their name.

Mayank Tiwari: Just to just add a little bit. We have missed this part, but also given the high fungibility of the asset base in the segments that they're playing, anytime that there is a slight slowdown or downturn in the cycle of any one particular industry, the others catch up. So we have done a fair amount of financial testing of just seeing this across different cycles. Having the privilege of playing in 3-4 end-markets allows you to have sort of that containment of risk within the industry.

Most of the industries that they play in are also relatively protected so anything from a China perspective, auto is a very protected market within the U.S. So participation or any market risk from outside the geographies is also fairly limited. As Punit said, it's a veteran management team and with who we are driving a very high alignment of incentives as well. And there's a very low risk of integration here, given that it's a very strong management team that is continued.

Priyadarshi Mohapatra: Why would growth from here would be mid-teens in a developed market setting. Why would it not be single digit?

Punit Lalbhai: It will be single digits if you follow the market growth rate. We are expecting to grow much beyond the market growth rate because we are adding much more firepower to underrepresented segments. The market is going through a sudden expansion because of legislative changes. And there are very few players and demand is going to for a period of time, outstrip supply.

So the opportunity to grow much faster than sort of the mature market growth rate is actually there. And that's one of the key inputs to why at AMD, we have a 20-plus percent growth aspiration. So we can't be doing acquisitions that have low headroom for growth. So headroom for growth is something that we have really delved in deeply and for the reasons I mentioned, there is that opportunity that we see.

Mayank Tiwari: The historical track record of the company is to grow revenue in double digits as well as margin in high teens. And we expect that with the combination of markets that we are in, we will continue to maintain that 10% to 12% revenue growth and mid-teens margin expansion or margin growth rather. And the business plan that we have built along with the management team is one that we are fairly confident of delivering.

Priyadarshi Mohapatra: All right. And congratulations on this deal. And also on your execution has been very good over the last 1 year or so, I met all the lines.

Moderator: Next question is from the line of Monish Ghodke from HDFC Mutual Fund.

Monish Ghodke: Sir, the press release says that fund this acquisition, \$50 million will be raised in the U.S. entity and \$60 million in the AAML. But I believe, I mean, the cost of this acquisition will be around \$80 million, right? I mean, \$136 million and 60% stake. But we are raising \$110 million. So could you throw some light on this?

Mayank Tiwari: Yes. Monish, it's a simple sort of math is that the EV of the acquisition is about \$136 million. There is about \$16 million-\$17 million of net debt in the company, and we are purchasing 70%

economic interest. So we are putting about \$84 million, \$85 million of outlay to purchase that. The seller part of the equity portion, which is let's say the total equity value of the company is about \$120 million, sellers have \$35 million - \$36 million of that equity, we go over into the new entity and the new entity, as you know, the equity value remains around \$36 million.

So total equity value now has come to \$86 million, and the seller has about \$35 million, \$36 million of that. So, the resulting ratio for AAML at the end because of the debt that we have taken at the U.S. level is about 61%. So that is how the math works.

Punit Lalbhai: the existing shareholders are participating in the debt as well. That's why the numbers work out that way.

Satya Prakash Mishra: That's it. So they're selling a certain percentage today, and they will go over whatever they are not selling exactly equal \$ million terms into the new entities.

Monish Ghodke: Sir, how much Arvind is raising in debt?

Jayesh Shah: So, we are raising it. So a U.S. company now, the total debt is \$50 million. Earlier, it was \$15 million. So additionally, \$35 million is loaded there, and we have raised \$60 million in India. .

Monish Ghodke: Okay. Sir, what will be the cost of this debt?

Jayesh Shah: So it is in U.S. dollar terms. So as of today, based on the current SOFR rate, it is 5.5%.

Monish Ghodke: Sir, what is the PAT of this company, Dalco?

Satya Prakash Mishra: The part of the Dalco as reported financial of CY '25 is around INR100 crores.

Monish Ghodke: Okay. And sir, who are the key customers of Dalco in the automotive segment?

Punit Lalbhai: They are Tier 1s, we are Tier 2. And then their customers will be the people we know to Hyundai, GM and all of those. So we sell to the middle layer selling to the carmakers basically. .

Moderator: Next question is from the line of Harsh Dubey from LFC Securities.

Harsh Dubey: Congratulations on having good acquisition. Just wanted to understand, as you said that they are into automotive. The first thing that I want to understand is the product specifically into that. And as you said that there will be transition of technology from the U.S. to India as well to sell that kind of product. So what is the expectation from Indian market related to that? That's the first question.

Punit Lalbhai: So we are working on that as we speak. The expectation is that some point in the next 2.5 years, we will fire that process till then we will be very busy accelerating the U.S. business.

Harsh Dubey: Okay. Okay. And after this acquisition is done, just as we always have said that our expectation from India is approximately 18% to 20%. And after addition of this, is there any revision like downward, like are we expecting like 15% to 18% now or something like that?

Punit Lalbhai: I mean, the U.S. entity will grow slightly slower than the Indian entity. But I think it will not be by significantly too much less. So we will still want to grow in the high teens and hopefully 20% plus. .

Harsh Dubey: Okay. Just on this as well. So in the previous con call, if I'm able to recollect, we had a point where we said that now our focus is going to be more on the depth of the product lines that we already have, human protection, industrial and composite. And we said that we are not going to expand our product line. But after this acquisition, even our breadth is increasing. I understand that it's a good thing. Just wanted to understand from the management perspective for human protection in the current product line that we have.

Punit Lalbhai: See, the way this business has been built. It has been built through platforms. The sort of segmentation through product is to just make them more understandable. The way to think about this is that this is a needle punching nonwoven platform, and we are doing more things with the same platform. So similarly, for our diving platform gave rise to several lines of business. So the complexity know-how, product creation potential, innovation all happens at the platform level.

The customer is then there are just BD teams that manage the customer. So yes, we are creating a new BD team, but we are not really creating a very different line of business. It is the same platform that we understand and have been operating for more than a decade. I'm not seeing this as very gross diversification from our original area. I still feel it is within the sort of focus. Yes, we are building newer lines of product and customer connections, but we are keeping a lot of the sort of manufacturing core, which is where the innovation and product creation happens very similar to what we are doing here in India.

Harsh Dubey: Perfect. Sir, just a follow-up on this. Like on the valuation that we have got now, if we see technical textile and the Indian companies having valuations of EV/EBITDA, what we have got is a really good deal in that sense. And so, your thought upon that as well as So after 2 years, the PE fund will be most probably selling its stake. And after 4 years, we are expecting 100% acquisition. So will promote sale all of the stake or something like that?

Punit Lalbhai: I'll answer the second question first. I think 4 years long period of time. There are many options, if things are going well and the management team has still got legs to want to continue, we will find a way for them to be incentivized to continue. We've done that with all our businesses, even our Indian businesses, right? So we always give value creation opportunities to our key performers. And so that opportunity will exist to the Dalco-GFT management as well, should they wish to continue beyond 4 years.

But currently, the way the deal is structured, residual equity will be bought by Arvind and then we may do something on top of that to incentivize managers, which we will have to do in any

case, whether they are the same people or new people. So I think thinking about the transaction and the way it is structured is slightly separate from how we keep the management motivated. We are very good at motivating our management. And we have a long track record of getting value for people who run businesses well for us.

So that's on the sort of equity stake of the management. The question around valuation is that I feel we've paid fair value for this company. It's a company that's doing really well. It's a company that's growing. It's a company that's well managed. It's a company that sort of has the potential to unlock a lot of synergies. It's a company that gets us truly global, which has been one of our aspirations that we have already stated.

So it checks a lot of boxes. And from that perspective, we like the valuation at which we bought the company. It was done through a competitive process, and we won out in that process. So I think it's a fair value. In our hands, across 4, 5 years, if things go well, we should feel like we've bought it at a value that then we were able to create a lot more value on top of it.

Harsh Dubey: Perfect, sir. That gives a lot of clarity, just the integration of this will start to happen from mid of quarter 1 FY '27. And like from FY '27, the revenues or 65% will start to flow into a console number, right?

Jayesh Shah: Just to clarify because we bought the company yesterday. From an accounting perspective, nearly 2 months of quarter 1, it will come in into our quarter 1 results of our Arvind console. And of course, later on, all full quarters will come.

Harsh Dubey: Perfect. Congratulations once again. Very good acquisitions and all the best to you for future prospects.

Moderator: Next question is from the line of Kishore Kumar from Unifi Capital.

Kishore Kumar: Yes. Congrats on the acquisition, sir and getting into the new market. Sir, actually, I just wanted to confirm the numbers that you gave on the debt. So \$60 million, we are raising it in the Indian entity level and the \$50 million is we raised at the U.S. Of that \$50 million, there is a share between the existing investor and Arvind. Is that correct?

Punit Lalbhai: That is correct.

Kishore Kumar: Got it. And sir, actually, if I look at the leverage side of debt-to-EBITDA, it's on the higher side. So how do we plan here actually what's our thought process?

Jayesh Shah: So from our perspective, as a Arvind Group and you would have seen it in last 3 to 5 years that we are not off is to not have long-term debt on our books. Since this opportunity came to us and it is a very attractive opportunity as we discussed. We have immediately funded it through the debt on the books of in Arvind Advanced Materials company. And our current thinking and medium-term plan is to quickly pay down the debt, so we have raised a 5-year loan, our idea is

or our aim would be to almost wind this down over the next couple of years, and we are working on ways and means of doing it. .

Kishore Kumar: Got it, sir. Perfect. And the second question is on the inflation pressure in the U.S. Are you seeing any cost inflation pressure in terms of power cost or fuel, is there any near-term impact that you see in this business?

Punit Lalbhai: The only impact that is inflationary is on raw material because petroleum linked, but all polymers are petroleum linked. So polymer prices have gone up. But so far, it's manageable and we just came back from the U.S. and our analysis shows that so far, the impact hasn't been much, but if the war situation goes on, then we will have to see how the situation evolves. Some amount of cost increases have been successfully passed on. So it's an evolving situation, and we'll keep an eye on it. But I don't see it becoming a sort of derailer type situation.

Kishore Kumar: Got it, sir. And actually, 85% of the suppliers are sold customers. I think the company possess some kind of bargaining power over its customer ability?

Punit Lalbhai: So always customer is king. But yes, it shows that the company is well respected and well trusted. So that's what I would take away from that metric. And that is because once you're spec into a car, you are part of the entire development process. So you don't then mess around with that. And life of a model is 6 to 7 years. So then whoever gets in during development, as generally, unless something very bad happens with your product, you don't normally exit the platform.

Moderator: Next question is from the line of Ronak Shah from Equirus Securities.

Ronak Shah: Sir, my question is regarding the order book. So how the order book looks like in this sort of business on top of that, in case of any seasonality in case you may highlight.

Punit Lalbhai: There is no obvious seasonality in the business. And because automotive is a large part of the business, and because you are specked in to the platforms, the production throughput remains fairly constant. So production per day at 85% utilization is fairly constant. So the growth will come from additional capacity addition and a little bit of uptick through the higher effort we will do in some of the other segments to go towards that 90-plus percent utilization and then capacity addition. So the answer is no, there is not much seasonality.

Gurpreet Singh Bhatia: Normally, the customer contracts that you are specking, have about 50% share of that part with a contractual life about 5, 6 years, which we have tested during the due diligence process.

Ronak Shah: Okay. Understood.

Moderator: Next question is from the line of Dev Gulwani from Care PMS. .

Dev Gulwani: So as mentioned in PPT, the synergies between Dalco and Arvind in terms of customers and technology. So how will these synergies accelerate the growth in AMD segment?

Punit Lalbhai: So we will have the opportunity to build new lines of business with this knowledge and references that the company has. But I would say that is the second phase of growth. I think the first phase of growth is to unlock the opportunity within the U.S. with the same asset base, with the underutilized space in the 2 factories, adding lines there and capturing that. So I think we'll be busy with that for the next 1.5 years, 2 years. In the meanwhile, we will plan how we can use Dalco-GFT's capabilities and start to build India line of business or maybe line of business in a third location as well.

And then, of course, there is our filtration business, which is also a large market in the U.S. today, which we are underrepresented in. So using this asset base to try and see how we can be a bigger player in the U.S. will be also another way to unlock synergies. And then, of course, there are sales channels where we can drive other products in the relevant market spaces that can be manufactured in India and sold there as well. So we are exploring all of this. And as it will evolve, we will share more information.

Moderator: Next question is from the line of Awanish Chandra from SMIFS.

Awanish Chandra: Congratulation management team on a great acquisition, has been good financial regional valuation and city business, but I have a quick question here. Tagline announcement of internal restructuring where you subscribe 100% equity in a company U.S. company with revenue with step-down subsidiary. What is the purpose for that? Are we looking at some other acquisitions?

Punit Lalbhai: No. So all of them are part of the structuring of this transaction with all of those now have been consolidated and now we own 61% of the company at Dalco-GFT.

Awanish Chandra: Okay. So that is already consolidated in Dalco?

Punit Lalbhai: Yes

Awanish Chandra: Okay. And sir, it will be good for everyone if you can share the whole financial of Dalco, all 3 financial statements?

Jayesh Shah: Yes. So when we do the quarter 1 financials at that time, the whole financials of Dalco-GFT will be there.

Awanish Chandra: Okay. So sir, on quarter 4 result announcement is still we will not have the consolidated statement after taking around this Dalco?

Jayesh Shah: Also require some whatever information is required of that company, we would be happy to do.

Awanish Chandra: In this con call, people ask for goodwill and other things. So at least headline numbers, if you can provide, we can make our numbers on this.

Jayesh Shah: We do.

Moderator: Next question is from the line of Harsh Dubey from LFC Securities.

- Harsh Dubey:** Yes. So sir, just a follow-up as we have said that we expect our revenue for the Dalco to grow by approximately mid-teens. So as we have said in the PPT, it has grown in the previous years by approximately 10%. So any specific reason why it was low? And why do we specifically think that we will be able to add extra 5% in the revenue growth? Any specific pointers on that?
- Punit Lalbhai:** So they didn't focus so much on capacity addition and sort of business development in some of the smaller segments. They were more focused on unlocking synergies and getting to a high teen EBITDA. With PE-based majority shareholders, their objective was to improve profitability and sort of divest the company at a certain point in time. So I think the past reflects that objective.
- Now the change in objective is to look at more growth and to invest behind sort of chasing down those new lines of business and creating capacity at a faster pace than it was created in the past. And the \$5 million plus that I said every year, reflect that higher run rate of capex investment. So that's how the growth will get tied up.
- Harsh Dubey:** Perfect. And also on the part of acquisition, so just a number, if you could share as some of the participants also asked for the goodwill the intangible and the actual asset value that we have taken of INR136 million?
- Jayesh Shah:** Sure. So that Satya will immediately send it out to all the analysts and investors the headline numbers of the balance sheet of this company.
- Harsh Dubey:** Perfect. And also, sir, just on the understanding of this business even more in the detail. So just wanted to understand when we say that this company provides the products to Tier 1 and then it is sold to the OEM there, right? So when we say 88% of the sole sourcing for OEM, what exactly do we mean by 88% sole sourcing?
- Punit Lalbhai:** So Honda CRV's wheel well liner we get specked into. So we provide the nonwoven. Our customer will take that nonwoven and mold it into the wheel well liner, which will go on to the car assembly line. Now in 88% of the cases, it's only a product for that model that will be used.
- Harsh Dubey:** Perfect. Okay. So then just on this, when we say that since 88% of our product is growing, that means there's a huge amount of stickiness for our product, and the quality is really high. And as you said, after 2.5 years, when we are going to come for automotive industry in India, whom like specifically, are there any competitors in this segment and in India? And how do you think of that in India?
- Punit Lalbhai:** So there are competitors in India, the market operates differently So generally, the biggest player in India is both Tier 2 and Tier 1. So we will have to work out the details on how we want to enter India. And it will be a little premature without having all that figure and work complete to start talking about that on this call. But in the future, we will come with a detailed thought process around it as such, that is a little time away. It's in the second horizon of synergies. The first is dialing up some of the other segments that have immediate opportunity to dial up in the U.S.

- Harsh Dubey:** Perfect. On this, sir, when we say that we are going to have capex of \$5 million for each year. So will that only be for like all the 3 lines? Or will it specifically go for the each line that we are going to add in the present...
- Punit Lalbhai:** So see, when you take \$5 million, it's never a round number of that. Sometimes you may do \$8 million in a year and then have a pause still that \$8 million gets fully utilized. So again, all of that is being worked on. The capex plan for this year should be ready in 3 to 4 months. And until then, we have headroom to start growing in any case with the capacity utilization figures that can go up as well. So we have time to finalize that. But basically, thumb rule \$5 million represents 1 line of capacity. And depending on what product you want to make and the GSM that you want to make, the throughput will get defined. So that's a little bit too much detail to get into. .
- Harsh Dubey:** Just 2 more questions. So very small. So first is the cost of debt for AAML, since we are highly rated at the credit rating is really good. So cost of debt for AAML is what that we have taken for this acquisition?
- Jayesh Shah:** Around 6%.
- Harsh Dubey:** Okay. So around 6% and 5.5% for the U.S. right?
- Jayesh Shah:** Yes.
- Harsh Dubey:** So when you talk about since the acquisition is only 60% till now. And so the revenue recognition that will happen will be only 60% right?
- Jayesh Shah:** No. So the revenue and EBITDA will get consolidated as a subsidiary of the company, and we'll remove the minority interest from bottomline.
- Harsh Dubey:** Perfect. I thought of so.
- Moderator:** Ladies and gentlemen, that was the last question for the day. I now hand the conference over to Mr. Satya Prakash for closing comments.
- Satya Prakash Mishra:** Thank you all once again for joining this call. Our sincere appreciation for our legal advisers are our financial advisers, legal counsel, auditors, bankers, regulatory authorities for their support for a timely completion of this deal. We trust that most of your questions are answered during the call. If something is still remaining, me and my colleague are happy to answer any of them at any point in time. We are just a phone call or an e-mail away. Looking forward to joining you again in our quarterly results call. Thank you, and wish you a pleasant evening ahead.
- Moderator:** Thank you, sir. On behalf of Arvind Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.