Motilal Oswal Financial Services

1 August 2026
1QFY27 Results Update | Sector: Textile

Vardhman Textiles

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	VTEX IN
Equity Shares (m)	289
M.Cap.(INRb)/(USDb)	169.6 / 1.8
52-Week Range (INR)	688 / 383
1, 6, 12 Rel. Per (%)	-10/39/36
12M Avg Val (INR M)	357
Free float (%)	34.9

Financials & Valuations (INR b)

Y/E MARCH	FY26	FY27E	FY28E
Sales	98.7	108.1	114.0
EBITDA	12.4	17.0	18.2
EBITDA (%)	12.6	15.7	16.0
Adj. PAT	7.5	11.3	12.4
EPS (INR)	26.2	39.7	43.6
EPS Gr.%	(15.7)	51.5	9.9
BV/Sh. (INR)	369.4	401.2	436.0
Ratios			
Net D/E	0.2	0.1	0.1
RoE (%)	7.3	10.3	10.4
RoCE (%)	4.7	6.7	6.7
Payout (%)	19.1	19.7	19.7
Valuations			
P/E (x)	22.4	14.8	13.4
P/B (x)	1.6	1.5	1.3
EV/EBITDA (x)	14.9	10.7	9.8
Div. yield (%)	0.9	1.3	1.5

Shareholding pattern (%)

As On	Jun-26	Mar-26	Jun-25
Promoter	65.1	65.1	64.2
DII	14.7	16.0	16.6
FII	6.1	5.7	6.0
Others	14.2	13.2	13.2

CMP: INR586 | TP: INR665 (+14%) | Neutral

New capex and better spreads drive high-single-digit growth

Vardhman Textile (VTEX) revenue grew 13.3% YoY to INR27b in 1QFY27, led by improvement in yarn portfolio (+25% YoY), which was driven by higher realizations (+23% YoY). Gross margin improved by a robust 246bp YoY to 47.6%, driven by better cotton-yarn spreads (~33%). EBITDA margin settled at 17.5% (+387bp YoY). Management expects to sustain high spreads over the next 1-2 years, aided by a persistent 3-4% supply-demand gap. Further, the company announced a capex for an open-end project to increase the total spindle count to ~1.34m to be commissioned by FY28, along with a greenfield expansion at Dhar. We expect VTEX to continue to deliver high-single-digit revenue growth, led by a scale-up of its yarn portfolio, improving realizations and ongoing capacity expansions. Further, we believe gross margins will improve in FY27, with better cotton-yarn spreads, which may not sustain in FY28. We downgrade our earnings estimates, as we believe new capex benefits would be reflected after FY28. We maintain Neutral rating.

Yarn segment drives revenue; new capex gives visibility post FY28

VTEX's revenue grew 13.3% YoY to INR27b in 1QFY27, driven by the yarn portfolio, followed by fabrics and garments. Yarn revenue improved by a robust 25% YoY, driven by 23% YoY growth in realization, while volumes increased 2% YoY. Fabric revenue declined 4% YoY, as realizations declined 4% YoY. Fabric volumes remained flat (+0.2% YoY). With the ongoing garment capacity expansion to ~4.5m pieces, we expect ~50% CAGR over FY26-28 on a low base. Management has announced a capex for an open-end project to be commissioned by FY28 (~1.34m by FY28), along with a greenfield expansion at Dhar, while we expect the majority of the benefit to reflect after FY28.

Margin improvement driven by better cotton-yarn spread

In 1Q, gross margin expanded 246bp YoY to 47.6%, as cotton-yarn spread improved for the industry. Currently, Indian cotton is trading at a ~4-5% premium to US cotton prices. EBITDA grew 45.0% YoY to INR4.7b, with EBITDA margin at 17.5% (+387bp YoY). We expect FY27 gross margins to gradually improve to 47% and EBITDA margins to improve to 15-16%, led by better cotton-yarn spreads, while we do not expect this spread benefit to sustain in FY28.

Valuation and view: Reiterate Neutral

We expect VTEX's yarn business to scale up and clock a ~8% CAGR over FY26-28, led by higher realizations, while the garment segment is expected to clock a ~50% CAGR over FY26-28, led by the ongoing capacity expansion. We believe VTEX's margins are likely to improve in FY27, supported by a favorable cotton-yarn spread. However, we do not expect VTEX to sustain this spread benefit in FY28. While the upcoming capacity expansion is expected to start contributing from 2HFY28, its full earnings impact will be visible only after FY28. We trim our earnings estimates and reiterate Neutral rating with a TP of INR665, valuing the stock at 11x FY28E EV/EBITDA (earlier TP INR700). Key risks: high dependence on cotton-yarn spread and a delay in announced capex. (refer to our IC note dated Jun'26).

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Consolidated - Quarterly performance (INR m)

Y/E March	FY26				FY27E				FY26	FY27E	1Q FY27E	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE				
Net Sales	**23,857**	**24,801**	**25,053**	**24,980**	**27,031**	**27,529**	**27,057**	**26,504**	**98,691**	**1,08,121**	**25,861**	**5%**
YoY Change (%)	3.3	-0.9	1.6	-0.4	13.3	11.0	8.0	6.1	0.9	9.6	8.4	
Gross Profit	**10,766**	**11,214**	**10,764**	**11,485**	**12,862**	**13,131**	**12,852**	**12,589**	**44,230**	**50,385**	**12,025**	
Total Expenditure	20,600	21,457	22,210	22,039	22,295	22,773	23,130	22,949	86,304	91,146	22,360	
EBITDA	**3,257**	**3,344**	**2,844**	**2,941**	**4,736**	**4,757**	**3,928**	**3,554**	**12,386**	**16,975**	**3,501**	**35%**
Margin (%)	13.7	13.5	11.3	11.8	17.5	17.3	14.5	13.4	12.6	15.7	13.5	
Depreciation	1,094	1,141	1,183	1,226	1,263	1,265	1,285	1,236	4,645	5,002	1,250	1%
Interest	225	206	262	232	231	180	200	229	925	809	200	16%
Other Income	703	368	585	579	781	800	900	952	2,235	3,352	700	12%
PBT before EO items	**2,641**	**2,365**	**1,983**	**2,062**	**4,022**	**4,112**	**3,343**	**3,041**	**9,051**	**14,516**	**2,751**	
Extraordinary Loss	0	0	0	0	0	0	0	0	0	0	0	
PBT	**2,641**	**2,365**	**1,983**	**2,062**	**4,022**	**4,112**	**3,343**	**3,041**	**9,051**	**14,516**	**2,751**	**46%**
Tax	684	610	451	274	1,035	905	735	660	2,019	3,223	605	71%
Rate (%)	25.9	25.8	22.8	13.3	25.7	22.0	22.0	21.7	22.3	22.2	22.0	
JV and Associates	121	115	132	59	111	0	0	0	421	0	0	
Reported PAT	**2,077**	**1,870**	**1,663**	**1,847**	**3,098**	**3,207**	**2,607**	**2,381**	**7,453**	**11,293**	**2,146**	**44%**
Adj PAT	**2,077**	**1,870**	**1,663**	**1,847**	**3,098**	**3,207**	**2,607**	**2,381**	**7,453**	**11,293**	**2,146**	**44%**
YoY Change (%)	-12.9	-5.0	-21.0	-22.6	49.2	71.5	56.8	28.9	-15.6	51.5	3.3	
Margin (%)	8.7	7.5	6.6	7.4	11.5	11.6	9.6	9.0	7.6	10.4	8.3	

Exhibit 1: Changes to our estimates (INR m)

INR m	Old		New		Change (%)	
	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
Revenue	1,10,257	1,18,095	1,08,121	1,13,960	-1.9	-3.5
EBITDA	16,759	18,895	16,975	18,234	1.3	-3.5
EBITDA margin %	*15.2*	*16.0*	*15.7*	*16.0*		
PAT	11,149	12,916	11,293	12,407	1.3	-3.9
EPS	39.2	45.4	39.7	43.6	1.3	-3.9

Source: MOFSL, Company

1QFY27 earnings concall key takeaways

Cotton Situation

- Global cotton availability is estimated to fall 4-5% as Brazil, Australia, and the US all see reduced crop this season. Cotton prices are unlikely to go down meaningfully given the demand-supply gap, with supply expected to lag consumption for 1-2 yrs.
- Indian cotton prices had risen sharply from INR55,000 to ~INR64,000/candy and are now broadly aligned with international prices for the first time in two years.
- India and Egypt remain the only regions adding meaningful new spindle capacity; China, Indonesia, Vietnam, Turkey, and Bangladesh are flat or declining.

Spinning Business

- Spinning utilization was full during the quarter, with margins aided by lower-cost inventory converting at improved yarn prices.
- Order book stands at the usual ~90-95 days for exports and ~45-50 days for domestic, implying most of the April-May price improvement flows through in 2Q.

China & Yarn Exports

- Chinese mills continue to import yarn rather than spin domestically.
- This is because the local cotton costs (above USD1 per pound) make yarn imports from India/Vietnam more economical.
- Chinese sourcing shift is viewed as structural, also helping mills sidestep Xinjiang-cotton compliance risk in export garments.

Fabric Business

- Fabric volumes were roughly comparable to 1QFY26 and 3-4% lower than 4QFY26, impacted by a missed US sampling season due to tariff disruption.
- US order flow has started recovering over the past month, with better business expected in the next two-three months.
- Yarn-to-fabric price pass-through lags typically; ~60-70% of the recent yarn cost increase has been passed on so far, with the balance expected as volumes recover.

Synthetic/Technical Textiles

- Synthetic fabric capacity is running at only 15-20% utilization, with two large brand approvals secured and 70-80% utilization targeted within six months.
- Currently focused on basic synthetic products, with value-added/technical textile opportunities expected as scale builds.
- Margins are expected to be better than existing product lines on a per-meter basis, though it is early given low utilization.

Garment Business

- Existing capacity (~7,000 shirts/day) is being doubled to reach a viable cost structure, not to build a standalone brand business.
- Full capacity is expected to yield peak revenue of ~INR3.0-3.5b, with full ramp-up ~8-12 months away.

Capex & Dhar Expansion

- Capex remains largely on track, with INR8-9b of capex expected to continue in 1QFY28 for the modernization and open-ended project.
- Open-end project (~55-60 tons/day) construction has begun and is expected to be completed in 10 months.
- Dhar land is expected to be given by the government by Dec’26, with power availability not expected before Jun’27, delaying firm construction commitments.

FY27 Outlook

- Management expects overall revenue growth to trend toward mid-teens.
- Spinning margins are expected to moderate from 1Q highs but stabilize in the 13-14% range rather than reverting to the 10-11% seen in recent years.

Key exhibits

Exhibit 2: Quarterly sales trend

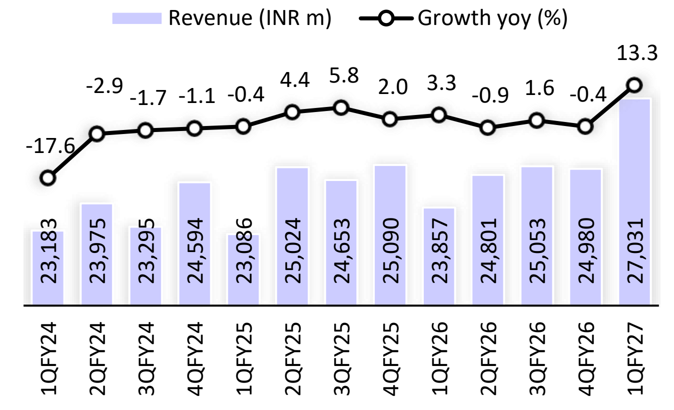


Exhibit 3: Quarterly margin trend

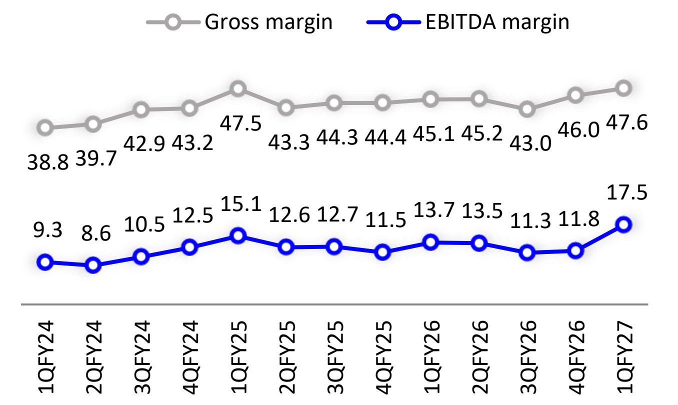


Exhibit 4: Quarterly EBITDA trend

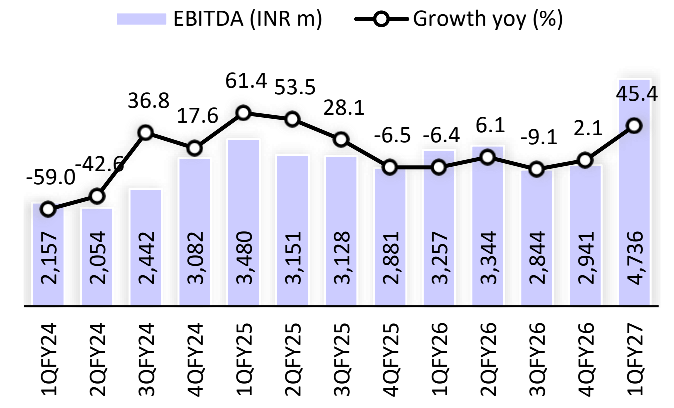


Exhibit 5: Quarterly PAT trend

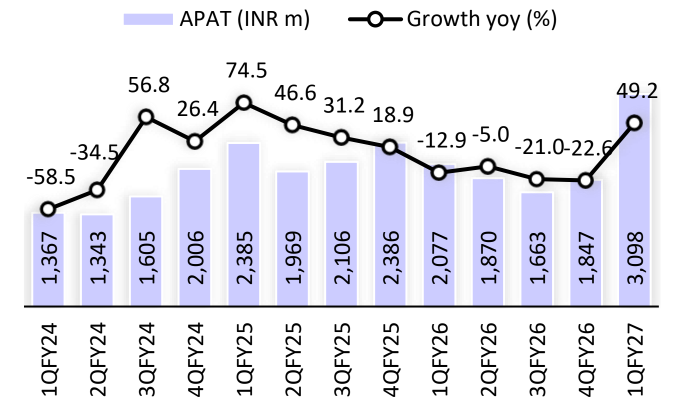


Exhibit 6: Yarn sales volume trend

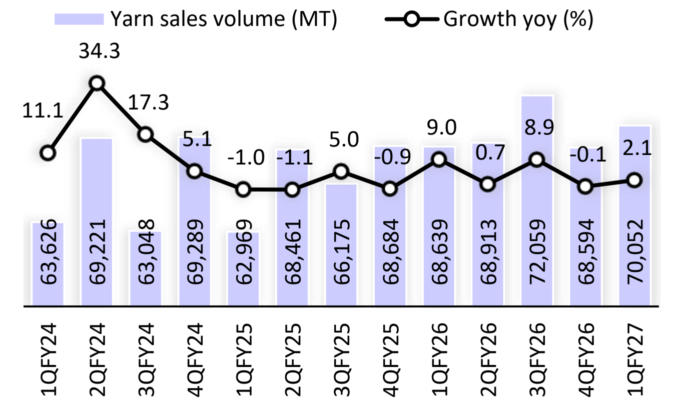


Exhibit 7: Processed sales volume trend

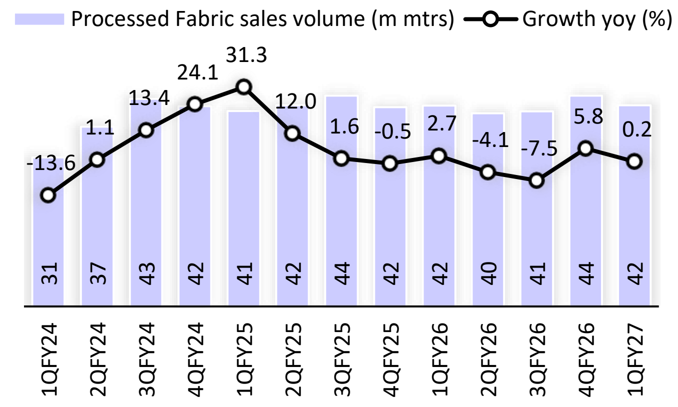


Exhibit 8: Yarn and processed fabric revenue split

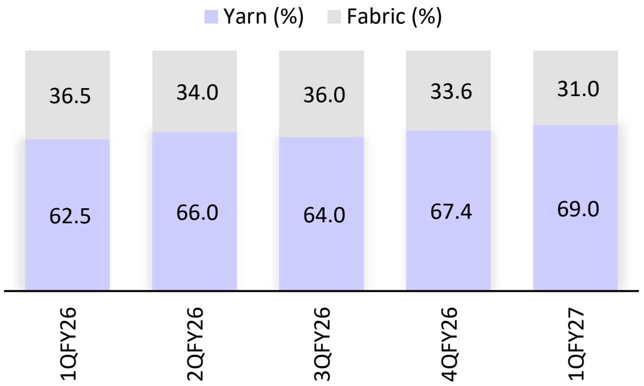


Exhibit 9: Geographical revenue split

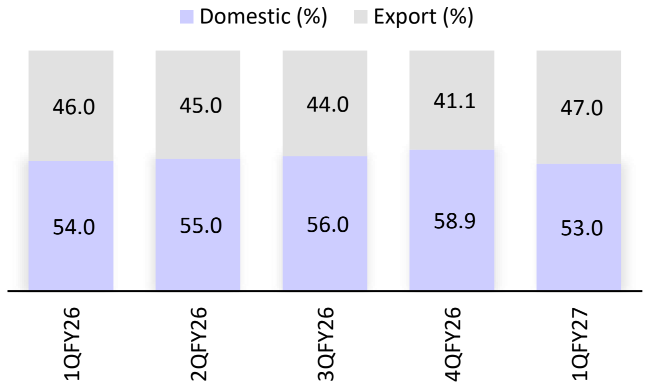
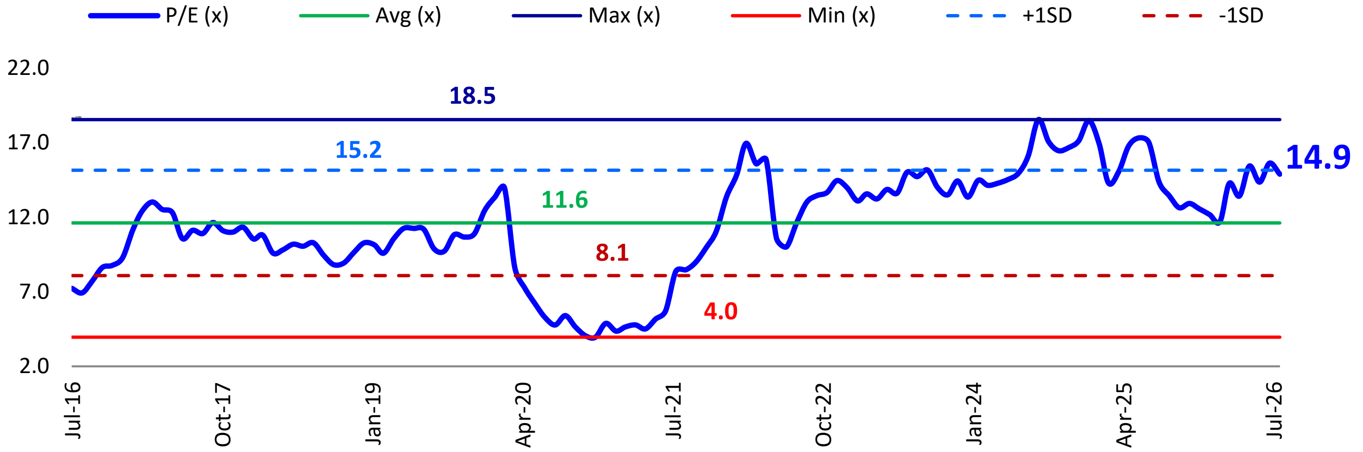


Exhibit 10: One-year forward P/E band and standard deviation



Source: Bloomberg, MOFSL

Financials and valuations

Consolidated - Income Statement (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Net Sales	**61,399**	**96,223**	**1,01,375**	**95,047**	**97,849**	**98,691**	**1,08,121**	**1,13,960**
Change (%)	*-8.8*	*56.7*	*5.4*	*-6.2*	*2.9*	*0.9*	*9.6*	*5.4*
Gross Profit	**28,794**	**50,616**	**42,076**	**39,109**	**43,835**	**44,230**	**50,385**	**52,991**
Total Expenses	**53,260**	**73,484**	**88,135**	**85,315**	**85,221**	**86,304**	**91,146**	**95,726**
EBITDA	**8,138**	**22,739**	**13,240**	**9,732**	**12,628**	**12,386**	**16,975**	**18,234**
EBITDAM (%)	*13.3*	*23.6*	*13.1*	*10.2*	*12.9*	*12.6*	*15.7*	*16.0*
Depn. & Amortization	3,638	3,675	3,944	4,046	4,009	4,645	5,002	5,340
EBIT	**4,500**	**19,064**	**9,296**	**5,686**	**8,619**	**7,741**	**11,973**	**12,894**
Net Interest	1,133	997	1,022	1,023	773	925	809	734
Other income	2,016	2,245	1,920	3,259	3,360	2,235	3,352	3,788
PBT Before EO Exp	**5,383**	**20,312**	**10,194**	**7,923**	**11,206**	**9,051**	**14,516**	**15,948**
EO expense	0	0	0	0	0	0	0	0
PBT after EO	**5,383**	**20,312**	**10,194**	**7,923**	**11,206**	**9,051**	**14,516**	**15,948**
Tax	1,364	5,197	2,552	1,982	2,815	2,019	3,223	3,540
Rate (%)	25.3	25.6	25.0	25.0	25.1	22.3	22.2	22.2
Minority and Associates	81	354	310	375	443	421	0	0
Reported PAT	**4,099**	**15,469**	**7,952**	**6,316**	**8,833**	**7,453**	**11,293**	**12,407**
Change (%)	-29	277	-49	-21	40	-16	52	10
Adjusted PAT	**4,099**	**15,469**	**7,952**	**6,316**	**8,833**	**7,453**	**11,293**	**12,407**
Change (%)	*-29.0*	*277.4*	*-48.6*	*-20.6*	*39.9*	*-15.6*	*51.5*	*9.9*

Consolidated - Balance Sheet (INR m)

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26	FY27E	FY28E
Share Capital	566	568	569	569	569	569	569	569
Reserves	64,173	76,469	85,066	90,432	98,391	1,04,568	1,13,603	1,23,529
Net Worth	**64,739**	**77,038**	**85,634**	**91,001**	**98,960**	**1,05,137**	**1,14,172**	**1,24,098**
Minority Interest	1,332	1,375	885	879	696	741	741	741
Total Loans	18,690	20,050	16,961	18,054	12,505	18,685	16,185	14,685
Deferred Tax Liability	2,941	2,943	3,093	3,248	3,664	3,695	3,695	3,695
Capital Employed	**87,702**	**1,01,407**	**1,06,573**	**1,13,183**	**1,15,825**	**1,28,257**	**1,34,792**	**1,43,218**
Gross Block	53,560	56,659	64,942	67,146	74,443	88,527	1,00,341	1,07,097
Less: Accum. Deprn.	18,170	21,717	25,568	29,456	32,938	37,584	42,586	47,926
Net Fixed Assets	**35,391**	**34,942**	**39,374**	**37,690**	**41,504**	**50,944**	**57,755**	**59,171**
Capital WIP	780	2,412	510	608	2,519	5,862	1,622	1,709
Investments	10,745	16,911	25,488	16,991	18,436	18,282	18,529	18,783
Other Non-Current Assets	655	3,170	1,508	2,465	3,441	3,898	3,898	3,898
Curr. Assets	**48,700**	**52,357**	**46,445**	**62,055**	**58,421**	**59,670**	**63,402**	**70,633**
Inventory	27,961	28,823	23,927	41,799	37,615	36,433	39,101	41,213
Account Receivables	10,387	13,212	11,910	12,203	12,976	13,058	13,922	14,362
Cash	2,115	1,217	3,742	878	890	834	1,729	2,523
Loans and Advances	27	30	38	22	21	18	0	0
Other Current Assets	8,210	9,074	6,828	7,153	6,919	9,329	8,650	12,536
Curr. Liability & Prov.	**8,568**	**8,384**	**6,752**	**6,625**	**8,496**	**10,398**	**10,414**	**10,976**
Account Payables	2,993	3,956	3,599	3,584	4,966	4,968	5,332	5,620
Provisions & Others	5,575	4,429	3,153	3,042	3,530	5,431	5,082	5,356
Net Curr. Assets	**40,132**	**43,972**	**39,693**	**55,429**	**49,925**	**49,272**	**52,989**	**59,657**
Appl. of Funds	**87,702**	**1,01,407**	**1,06,573**	**1,13,182**	**1,15,826**	**1,28,257**	**1,34,792**	**1,43,218**

E. MOFSL Estimates

Financials and valuations

Ratios								
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
Basic (INR)								
Adjusted EPS	14.5	54.4	28.0	22.2	31.1	26.2	39.7	43.6
Growth (%)	**-29.1**	**275.5**	**-48.6**	**-20.6**	**39.9**	**-15.7**	**51.5**	**9.9**
Cash EPS	27.4	67.4	41.8	36.4	45.1	42.5	57.3	62.4
BV/Share	228.9	271.1	301.1	319.9	347.9	369.4	401.2	436.0
DPS	51.5	0.0	3.5	4.0	5.0	5.0	7.8	8.6
Payout (%)	355.3	0.0	12.5	18.0	16.1	19.1	19.7	19.7
Valuation (x)								
P/E	40.4	10.8	21.0	26.4	18.9	22.4	14.8	13.4
Cash P/E	21.4	8.7	14.0	16.1	13.0	13.8	10.2	9.4
P/BV	2.6	2.2	1.9	1.8	1.7	1.6	1.5	1.3
EV/EBITDA	22.4	8.1	13.6	18.9	14.1	14.9	10.7	9.8
Return Ratios (%)								
EBITDA Margin (%)	13.3	23.6	13.1	10.2	12.9	12.6	15.7	16.0
Net Profit Margin (%)	6.7	16.1	7.8	6.6	9.0	7.6	10.4	10.9
RoE	6.5	21.8	9.8	7.2	9.3	7.3	10.3	10.4
RoCE (post-tax)	3.6	14.7	6.5	3.4	5.1	4.7	6.7	6.7
RoIC (post-tax)	4.5	18.4	8.8	4.4	6.4	6.0	8.4	8.3
Working Capital Ratios								
Fixed Asset Turnover (x)	1.7	2.8	2.6	2.5	2.4	1.9	1.9	1.9
Asset Turnover (x)	1.0	0.9	0.8	0.9	0.9	0.9	0.9	0.9
Inventory (Days)	166	109	86	161	140	135	132	132
Debtor (Days)	62	50	43	47	48	48	47	46
Payable (Days)	18	15	13	14	19	18	18	18
Cash conversion Cycle (Days)	210	144	116	194	170	165	161	160

Consolidated - Cash flow statement								(INR m)
Y/E March	**FY21**	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**FY27E**	**FY28E**
PBT	**5,589**	**20,709**	**10,599**	**8,349**	**11,682**	**9,551**	**14,516**	**15,948**
WC	-6,584	-4,219	7,493	-19,202	4,910	-1,117	-2,822	-5,874
Others	3,135	3,128	3,090	2,427	2,226	4,794	5,002	5,340
Direct taxes (net)	-463	-5,173	-2,653	-2,127	-2,381	-2,148	-3,223	-3,540
CF from Op. Activity	**1,677**	**14,446**	**18,528**	**-10,552**	**16,438**	**11,081**	**13,474**	**11,873**
Capex	-2,430	-5,191	-6,217	-2,840	-10,326	-17,379	-7,574	-6,843
FCFF	**-753**	**9,255**	**12,311**	**-13,392**	**6,112**	**-6,298**	**5,900**	**5,030**
Others	1,271	-3,801	-8,230	13,876	1,410	2,215	-247	-254
CF from Inv. Activity	**-1,159**	**-8,992**	**-14,447**	**11,036**	**-8,916**	**-15,164**	**-7,820**	**-7,097**
Share capital	92	128	30	7	0	46	0	0
Borrowings	-885	-1,491	-3,056	1,139	-5,530	6,169	-2,500	-1,500
Finance cost	-944	-860	-961	-987	-615	-776	0	0
Dividend	-3	-3,492	-5	-1,056	-1,184	-1,458	-2,259	-2,481
Others	0	0	0	0	0	0	0	0
CF from Fin. Activity	**-1,740**	**-5,714**	**-3,992**	**-897**	**-7,329**	**3,980**	**-4,759**	**-3,981**
(Inc)/Dec in Cash	**-1,222**	**-260**	**90**	**-413**	**193**	**-102**	**895**	**794**
Opening balance	2,149	926	666	756	343	536	433	1,328
Adjustments	0	0	0	0	0	0	0	0
Closing balance	**926**	**666**	**756**	**343**	**536**	**433**	**1,328**	**2,122**

E. MOFSL Estimates

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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