



“Welspun Living Limited
Q3 FY ‘26 Earnings Conference Call”
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MODERATOR **MR. ASHUTOSH SOMANI – JM FINANCIAL**

Moderator: Ladies and gentlemen, good day and welcome to the Welspun Living Q3 FY '26 Earnings Conference Call hosted by JM Financial. As a reminder, all participant 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashutosh Somani from JM Financial. Thank you, and over to you, sir.

Ashutosh Somani: Thanks, operator and welcome everyone to the call. I will first thank Welspun Living for giving JM Financial the opportunity to host today's call. Without much ado, I'll hand over the call to Ms. Bharti Agarwal, Lead Investor Relations, Welspun Living, to introduce the management. Over to you.

Bharti Agarwal: Thank you, Ashutosh and good evening, everyone. On behalf of Welspun Living Limited, I would like to welcome you all to the company's Third Quarter FY2026 Earnings Conference Call. Joining me on the call today are Ms. Dipali Goenka, Managing Director and CEO; and Mr. Manish Bansal, Chief Financial Officer.

We hope you have had the opportunity to review the earnings presentation, which has been filed with the stock exchanges today and is also available on our website. During the course of today's discussion, we may make references from this presentation. As usual, we will begin with opening remarks from the management, following which we will open the floor for a Q&A session. Should you have any additional questions after the call, please feel free to reach out to us. With that, I would now like to hand over the call to Ms. Dipali Goenka. Over to you.

Dipali Goenka: Good evening, everyone, and thank you for joining us today for Welspun Living's Q3 FY '26 Earnings Call. Q3 FY '26 unfolded in an operating environment that remains challenging and largely unchanged. Persistent U.S. tariff headwinds, muted discretionary demand and cautious retailer buying continued to weigh on demand visibility and volumes across export markets.

However, as we closed the quarter, the global trade landscape for India has shifted decisively, and this marks a structural inflection for Indian manufacturing and exports. Over the last few months, India has concluded a series of landmark trade agreements, including the India-US trade agreement, the India EU pre-trade agreement and the India U.K. FTA, alongside early agreements with markets such as Japan and Australia.

Together, these FTAs significantly expand India's market access across the world's largest consumption pools, materially improve tariff competitiveness and reinforce India's position as a preferred long-term sourcing destination for global retailers. This shift is not about an immediate demand rebound over the next quarter or two, rather, it meaningfully improves visibility, competitiveness and confidence for global customers planning their sourcing strategies over the next several years.

The India-US trade agreement removes a key overhang, the rollback of punitive tariffs, including the removal of the Russian oil-linked levy and a favourable reciprocal tariff framework, potentially around 18%, restores India's competitiveness versus the peer sourcing nations. Europe, in particular, represents a major structural opportunity.

The EU is the world's second largest economy and a USD 260 billion annual importer of textiles and apparel, while India's current exports are only USD 7 billion, highlighting significant headroom. For Welspun Living, this is not a new market. We already have established relationships and an operating presence.

The India EU FTA materially improves our competitiveness, strengthens market access and enhances long-term demand visibility in a large, high-value sustainability-focused region, creating a multiyear growth runway across home textiles, flooring and advanced textiles. From a portfolio perspective, the combination of India-US, India-EU and India-U.K. agreements reduces concentration risk and supports a more balanced growth profile.

With nearly 40% of our business already outside the U.S., we are well positioned to participate in this next phase of global sourcing normalization. As we move ahead, our strategy remains unchanged: stay close to customers, exercise cost discipline, invest in innovation and sustainability and emerge stronger.

Turning to performance highlights for the quarter. Against this backdrop, consolidated revenue declined 9.9% year-on-year, while EBITDA margin improved sequentially to 7.7%, expanded 80 bps quarter-on-quarter, driven by sustained cost actions despite elevated tariff pressures and adverse mix.

Our core home textile exports declined 8.9% Y-o-Y, reflecting the residual impact of tariff-related disruptions, cautious retail behaviour and muted discretionary demand in the U.S., our largest market. While recent data indicates a modest broad-based improvement in U.S. consumer sentiments in store holiday season sales for home products, it declined 3% and overall confidence remains 20% lower than last year's levels.

That said, with India's tariff competitiveness now improving across product categories, we believe the foundation is firmly in place for a gradual recovery in volumes with India and scale partners like Welspun well positioned to gain share as sourcing normalizes. We continue to expand our presence in higher-value categories such as utility bedding, fashion and pillows, underpinned by strong innovation capabilities.

Our Jacquard facility further reinforces our leadership in premium Terry towers globally. Our onshore Ohio pillow facility is ramping up well with revenues already 2x Y-o-Y, and we remain on track to double pillow business this fiscal year, alongside preparations for the Nevada expansion.

Christy, our luxury heritage brand sustained strong momentum in Q3 with 31% Y-o-Y revenue growth, driven by continued U.K. strength, ongoing Middle East market entry and strengthening

U.S. performance. Performance was further supported by U.K. repeat customer growth of 64% Y-o-Y, strong U.S. marketplace performance and rising demand across core and premium bedding.

Our domestic consumer business recorded INR185 crores. It grew 4.7% Y-o-Y. Our B2C home textile segment delivered 6.4% growth this quarter on the back of strong performance in general trade and modern trade over a festive base last year. Our Welspun and Spaces brand is well positioned to capture India's next phase of consumption-led growth. In addition, India's expanding religious tourism and pilgrimed infrastructure is creating incremental demand for institutional home textiles, adding a steady growth avenue. Our domestic flooring business continues to perform well. It grew 14% Y-o-Y, driven by housing, hospitality and institutional demand.

Our global flooring business declined 29.2% Y-o-Y amid tariff headwinds. However, we see significant potential in soft floorings. Our area rugs delivered a strong double-digit growth this quarter and upcoming FTAs are expected to further enhance our competitiveness in global markets across product categories.

Our Advanced Textile business declined 20.9% Y-o-Y to INR104 crores, impacted by softer global demand. With upcoming FTAs, the medium-term outlook for this business remains highly promising across all geographies.

At Welspun Living, innovation and sustainability are deeply integrated into how we design products, run operations and build long-term competitiveness, backed by an IP portfolio of over 48 patents. Our innovation-led offerings enable premium positioning and agility with innovation accounting for 20% of revenues. Proprietary platforms like Hygro cotton, GX Pillow and Wel-Trak continue to drive value across categories, reinforcing our leadership in innovation-led growth.

This quarter, our sustainability moat received strong external validation. Welspun Living ranks number one globally in textile, apparel and luxury goods category with a score of 90 in 2025 S&P Global Corporate Sustainability Assessment. Together, our innovation depth and sustainability leadership create a powerful defensible moat, strengthening customer trust, enabling premiumization and positioning us to emerge stronger as markets normalize.

As we look ahead, India's expanding FTA network and global sourcing realignment open up a significant multiyear growth opportunity. Our focused efforts on cost optimization, faster time to market and operational excellence continues with unwavering rigour - placing us in a stronger position with each step. We are ready not just to meet this moment but to rise with it.

With that, I will now hand over to Manish to take you through the financial performance for the quarter. Over to you, Manish.

Manish Bansal:

Thank you, Dipali, and good evening, everyone. I will briefly walk you through our financial performance for Q3 FY '26. During the quarter, we reported consolidated revenue of INR2,277

crores, down 9.9% year-on-year, reflecting continued pressure on volume amid a challenging external environment. That said, the most important financial takeaway this quarter is resilience of our operating model. Despite elevated tariffs, mix pressure and muted demand, EBITDA margin expanded sequentially by 80 bps points to 7.7%, demonstrating the tangible impact of sustainable cost actions, operating discipline across the business. While margins are lower on a year-on-year basis, it is important to note that this sequential improvement has been achieved in one of the most challenging operating environments, underscoring the structural work done on overhead, rationalization, sourcing optimization and plant productivity.

These actions are helping offset tariff-led pressure and adverse mix even as we continue to benefit from favourable forex realization. Profit after tax before exceptional item for the quarter is at INR21.5 crores.

That said, this quarter demonstrates our ability to generate cash even in a down cycle through working capital discipline. Our free cash flow improved meaningfully to INR395 crores compared to INR112 crores in FY '25. This reflects tighter working capital discipline across business. As a result, cash conversion cycle improved to 88 days versus last fiscal, demonstrating stronger operating control despite the volatile demand environment.

Our net debt stood at INR1,332 crores in December '25 versus INR1,570 crores as on 30th September 2025, lower by INR238 crores. We are progressing on cost rationalization, procurement optimization and plant productivity improvements, supported by automation and digitalization initiatives.

These actions are helping us improve resilience and predict profitability even as external pressures persist. Capital allocation remains disciplined. Our capex continue to be directed towards productivity enhancement, sustainability initiatives and selective growth opportunities, aligned with our long-term competitiveness rather than volume-led expansion.

Capex during this quarter was INR139 crores, primarily towards efficiency enhancement and our ongoing transmission line projects. Going forward, our focus remains on driving cost efficiencies, improving mix strengthening cash flows and accelerating diversification across market and categories. With this, I will now leave the floor open for the question and answers. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. Our first question comes from the line of Perna Jhunjunwala from Elara Securities.

Perna Jhunjunwala: Congratulations on numbers in this difficult time. My first question is to understand the global tariff scenario now, the U.S. tariff scenario. What is the current scenario? And are -- is the thing about cotton -- U.S. cotton being used, so tariffs will be zero materialized? Or how do you see it coming in?

Dipali Goenka: So first of all, as you know, about our U.S. tariffs, we saw the 25% punitive tariff go. 18% should be done in the near future. And when you even talk about now looking at India, with the 18%,

it will become the most competitive. I know there are conversations about Bangladesh that are coming into court, and let me put that on the table and address that as well.

Here, the conversations are the same that are going to be applicable for India as well, which are right now happening, and it might -- it's a little ambiguous, but we'll hear in the next near term. So definitely, for us, with U.S. where we are at 18%, we will also be as competitive as the peers.

When you talk about U.S. cotton, the interesting thing is it's not 0% because when you talk about towels, 50% is your cotton content, right? And when you talk about sheets, it's around 30% to 35%. So it is according to that, that you look at the kind of the cotton that has grown in U.S.A. getting that benefit and an upside.

However, as we go forward, more and more clarity will come in the reciprocal tariff of United States of America. And as we speak, we already know that U.K. FTA is done last year, and we will see that coming in the next 2 quarters and the Europe FTA being done, which earlier actually the FTAs in these kind of were cost arbitrage. But now we are talking about growth as a kind of an opportunity. And we'll see that coming in the next year.

Prerna Jhunjhunwala: Understood, ma'am. Ma'am at 18%, even if we assume that the cotton thing is not happening at 18%, how will be the sharing of tariff be between the customers and us going forward? And can we assume a return to normal margins from Q1 because Q4 is almost half done. From Q1, can we assume a return to near normal margins for you?

Dipali Goenka: So I'll tell you one thing, Prerna, one thing, let me be clear. When we talk about these FTAs and 18% and the others, there is a partnership that you have with the retailers, right? Even in these toughest times, we actually worked on sharing a little burden, right? So there will be that opportunity that will come in. And quarter 4, anyway, I've already spoken about, see February has already gone by.

There's still a lot of conversations happen. So the year will go by. So quarter 4 still will be in that kind of a thing. But as we go forward in quarter 1, we will see a continuous upside coming in. And so I just want to make it very clear. When these kind of implications happen, there's a lot of conversations that will happen between the customers because these partnerships are more than over 2 decades. And we are the most competitive. So this will be same applicable to other countries as well.

Prerna Jhunjhunwala: Okay. Understood. So it will still take some time for normal margins to kick in even in FY '27 is where -- how we should look at it?

Dipali Goenka: It will gradually pan out in quarter 1 and as we go forward. Penna it takes time because the orders come in. How this pans out, we're already sitting in February. Quarter 4 is nearly over and the quarter 1 will pan out, right? So it will take time. But yes, it will happen as a gradual upside quarter-on-quarter.

Prerna Jhunjhunwala: Yes. Okay. Understood. Ma'am, on domestic business, how is the demand scenario now? And what kind of uptick we are seeing in the domestic market?

- Dipali Goenka:** So with the GST reforms, we'll see a huge opportunity here. And for the next year, the next financial year, we'll definitely see kind of a growth that we are targeting that over 20%, 25% -- and that is something that we are absolutely geared up for our brand, Spaces and Welspun in India.
- Moderator:** Your next question comes from the line of Shradha Agrawal from Asian Market Securities.
- Shradha Agrawal:** Congratulations to the team on a good quarter. Dipali, two questions. First is now that India has signed -- I mean, the tariff is 18% plus, you've signed FTAs with U.K. and EU. So how should we look at capex plans going ahead, which we had installed for the time being given there was so much uncertainty?
- Dipali Goenka:** The thing is that we already have invested in row, if you know about our Jacquard facility, and we're already working on the fashion bedding and also the pillows. So I think we are completely geared up in terms of capacity utilization. So the focus this time is going to be to sweat our assets because the opportunity is humongous because not only with this 18% on India on the tariff in U.S., with the U.K., Europe, now Japan, Australia, the ROW Japan, the other opportunities that we see here are going to open up more doors for all the categories that we do. That is our bath, bedding, flooring and advanced textile as well.
- Shradha Agrawal:** That's, I was more talking about the INR700 crores capex that we had outlined earlier, the Phase 2, which was to be split between '26 and '27 in terms of capacity into spinning and bath and bed all coming through. So I'm talking about that capex plan, where do we stand on that now?
- Manish Bansal:** Hi Shradha, Manish here. So yes, so we are on track on our capex, whatever was agreed, but we are not planning additional capacity for taking care of any future business that whatever plant capacity or capex we have done, it will be enough to take care of future demand. And maybe after 2 years, we will review how it looks like.
- Dipali Goenka:** With the kind of capacity that we have for jacquard and we have become one of the largest capacities in the world, also.
- Shradha Agrawal:** Right. So we are on track to do that spinning capacity expansion of 40 tons per day as well as 3,600 tons per annum capacity on the Terry. That's already on track, right?
- Dipali Goenka:** That's already on track and already started, yes.
- Shradha Agrawal:** Okay. And secondly, on the flooring business, ma'am, I mean, we have been facing some pressure on that portfolio for some time now. And in between, there was a decision that we might look to rationalize our hard flooring subsegment. So any decision that has been taken? Or how should we look at the flooring portfolio going ahead?
- Dipali Goenka:** So Shradha, let me tell you, I haven't been more positive about this business than ever. I can tell you that really very categorically. With the kind of opportunity that we are seeing now with Europe and rest of the world, our soft flooring business has a massive uptake. And we will see that gradually pan out. And with a year or 2 there, our top line will also come through and our

margins will also get -- will turn around. And this is something which we are seeing coming in the very near future as well.

Shradha Agrawal: Right. So we continue with both the sections in flooring, both the subsegments, hard flooring and soft flooring?

Dipali Goenka: So we will be -- basically, the thrust will be more on the soft flooring and hard flooring will pan out gradually... Yes.

Moderator: Your next question comes from the line of Bhavin Chheda from Enam Holdings.

Bhavin Chheda: Congrats to the entire team, really good results in the environment we are in. Just to carry on the question of the flooring first. If you can update because after the tariff, there had been -- U.S. business got impacted in flooring. So what was the tariff for India on flooring versus competition, where we lost market share? And after the current trade read, what is the tariff scenario of flooring? And ma'am, you spoke about the opportunity in Europe also for flooring. So how does the competitive positioning in the flooring space change post recent tariff announcement? If you can update more on that?

Dipali Goenka: Yes, sure. So when you talk about flooring, we are competing with China, we are competing with Vietnam. We are competing with Turkey right, and Egypt. So if you're talking about these countries, they were very, very competitive. And now with this opportunity that we have, we definitely have an upside. And so that actually gives us an opportunity not only in U.S., but in U.K. and EU also, there's an opportunity.

The other interesting thing, and you must be knowing it absolutely that GCC, again, is on track for being -- having the FTA there, too. So that is very interesting. Australia, we already have an opportunity, Australia and New Zealand. So these are other countries that we will see an upside coming in. And the focus is we'll see a massive upside on soft flooring, which is the bigger part of the flooring portfolio.

Bhavin Chheda: Sure. Secondly, on the advanced textile, the utilization has seen a fall in as compared to even quarter 2. So any specific reason where the demand slowdown happened?

Dipali Goenka: So the demand slowdown definitely happened see now with this kind of tariff implication that we had, we had become completely unviable for countries like United States of America, even for Europe and other countries as well. Having said that, now we see an opportunity opening up again.

And these opportunities will not only come in for spunlace, which is just commodity, but needle punch where we created innovative products and also in wet wipes and the other dry wipes and the other categories that we are working on. So there, again, is an opportunity to grow this category by 20% and with a strong double-digit margin as well.

Bhavin Chheda: Sure. And the last one on how much was the U.S. cotton in your overall cotton mix in the quarter and 9 months?

- Dipali Goenka:** So this actually started post the third -- in the second quarter onwards. We started seeing U.S. cotton in the second quarter. And it actually depends on the programs and the program mix that we do, honestly. So -- and specifically, basically in the bath category, we have seen that coming in as an upswing and mainly also in the second and then in the third quarter.
- Bhavin Chheda:** If you can share the percentage number, how much maybe 20%, 30%?
- Dipali Goenka:** That, I just cannot share that actually.
- Moderator:** Your next question comes from the line of Sani Vishe from Axis Securities.
- Sani Vishe:** I just want to understand depending on the last call that we had and the guidance that you had given, we were expecting the trend or rather the decline to be similar to earlier quarters. But as a matter of fact, it has come -- it has been not that bad. So I just want to understand what went better than expectation because I think we were expecting a double-digit decline in revenues. So what went well or better than expected? And does that mean that we may do even better in Q4? So I think the tariff impact is not there, I mean, the positive impact of tariff is not there, still we are able to recoup some growth. So I just want to understand what changes now?
- Manish Bansal:** Hi Sani, Manish here. So thank you for your question. So yes, you're -- it is -- the results are better than expectation. And there are a couple of reasons for this. And as during last call, we have mentioned very categorically that we are going to work on various fields in terms of managing our cost, cost optimization, improve our plant efficiencies, etcetera.
- And that has actually given us some results in terms of performance results. And we are able to absorb the cost or hit of the tariff in these activities. And there are some forex gain also there, and that has actually helped us to mitigate some of other tariff impact. So that's the reason we're actually able to deliver better numbers.
- Sani Vishe:** Okay. So even on the revenue growth terms, I think we are doing better than expected, especially I think domestic business has started showing signs of good sustainable growth. So do you think that we can expect further traction in domestic and overall revenue growth, where do you expect to end for the full year?
- Manish Bansal:** So yes, you're right. We are expecting growth in domestic business. And that is a continuous focus area for us, and we will continue to do that. And probably we will be able to share the updates in some time.
- Moderator:** Your next question comes from the line of Ashutosh Somani.
- Ashutosh Somani:** While you have stated that a lot of clarity is yet to emerge on how the U.S. cotton benefits will flow through for Bangladesh. Just want to understand some -- 2 parts of this equation. One is what does the U.S. cotton usage do to the unit economics of our product, okay? And secondly, how high can the usage be in percentage terms in a product category?

What is the highest number you can think of? The context of this question is that the number doing the rounds for Bangladesh is 70%. So 70% usage of cotton -- U.S. cotton in a product makes them eligible for zero tariff. So in that context, just wanted to understand two things from you. One is, is it even viable to have unit economics in your favor after using 70% U.S. cotton sitting in Bangladesh or India? And the second is, can we actually go as high as 70% in any of the product categories?

Dipali Goenka:

So go ahead, Ashutosh. Yes. So first of all, let me tell you, like for our towels, we know that it can't go beyond 50%. In sheet, it can't go beyond 30% to 35%. Similarly, it's applicable to all the categories. So maybe apparel could be maybe 10% here and there more. That is the unit economics that we can talk about.

However, even in the elements that you know about Bangladesh deal, let me also clarify, there's going to be a quota about the goods that are going to be exported out of this cotton because Bangladesh doesn't do any cotton. They anyway import cotton, right? So they'll be importing more U.S. cotton. But that is going to be again having a quota. Then the other -- the rest of it will have that 19%. And similar deal is what the government has been talking here for India as well. So that also I just want to table. So people can say 70% to 80%, as I know very well, right now for my products, this is where the cotton consumption remains.

Ashutosh Somani:

Dipali, this is very helpful. The other question is, are we -- from the outside, it looks like it's a great time to be in textiles with the addressable market size increasing many fold from a 3-5 year perspective. U.K. FTA will be ratified at some point in time, EU FTA maybe after 6, 8 months of U.K. And then you have the issues with U.S. has been resolved and new markets, Australia, Middle East. So are we like now comfortable from a 5-year perspective to report high double-digit revenue growth sitting here in India?

Dipali Goenka:

So while this all looks very good, and we are actually geared up to do what it takes to achieve the numbers of growth and even margins. But Ashutosh, it will all now we see -- if I look at it, U.S. will happen in next year only. U.K. will happen in the next couple of quarters. We will definitely see that upside happening. But -- there would be other elements that we should be even looking at in the terms of this dynamic environment. But Ashutosh, just to give you a perspective, we are feeling very positive about the kind of upswing we'll have in this business.

Moderator:

Your next question comes from the line of Aradhana Jain from B&K Securities.

Aradhana Jain:

Just wanted to understand, given that now the U.S. market seems more favourable to us. So from EU perspective, what are the growth drivers that we feel that EU can bring to us? Because the reason I'm asking is that if I consider the FTA before that the tariffs were -- the rate was around 9%, 10%, right?

So the incremental benefit that we get, and please correct me if I'm wrong, is from the aspect of the 9%, 10% going away. But my understanding is that from home textile perspective, U.S. is much larger market. And for us, that remains. So from EU perspective, what exactly now changes beside the rate changing?

So is the market more favourable for home textiles? Like from a macro perspective, I wanted to get your thoughts on the home textile space in the EU market? And how are we going to tackle it? Is there going to be a different strategy for the EU market? And what kind of growth can we expect from that market, not maybe in the near term, but over a period of time?

Dipali Goenka:

Thank you. That's a very interesting question and very valid as well. So as I spoke in my opening remarks that EU is the world's second largest economy. And it is at around USD, it imports around \$260-plus billion of textile and apparel. And India's only current exports is \$7 billion.

So the important aspect is that the other countries, like you can imagine, Pakistan, Bangladesh have kind of an upside on this. While as Welspun, we already are present in 27 countries, but -- and across all the categories, this will give us a mega boost in the terms of being competitive with the countries like this.

The important thing you spoke about being the largest market. U.S., of course, is the largest market. Europe being the second largest, it is a fragmented market. But having said that, the opportunities are definitely huge. And for us, there are certain retailers we've seen that we are doing very well.

And these are mass retailers who have a span of around 2,000 stores and they're opening a store every day. And the opportunity here, even with our Disney presence that we have, we are not only penetrated in the West Europe, but also in the East Europe. So with us, the basis set, along with this, not just the retail presence, we also have a hospitality presence now in U.K. and Europe. And this is going to continue to grow for us at Welspun too.

Aradhana Jain:

And in terms of growth, how much growth do we expect this new market to -- not new market, but the EU market to bring to us within the next 2 to 3 years' time?

Dipali Goenka:

So let me tell you, in our portfolio right now, America used to be around 70%. Now it is around 65%. Our portfolio will grow as a pie, where we are right now at 40% with Europe and rest of the world. This will again increase another 10% of the pie. So we want to continue to grow this market. This is what I can say as of now today.

Aradhana Jain:

Understood. And second question is on the FTA with Bangladesh. Now there are a lot of apprehensions talks around whether the reduction in the rate that has happened in Bangladesh from 20% to 19%, while it is obviously favourable for them, but the additional clause of the clause that they might be also eligible for 0% for selective cases?

Do you -- from your perspective, do you really think that's going to be a value add for them given that there are talks that if you import from U.S., your logistic costs and a lot of other working capital requirement increases. From that perspective, how do you look at this deal that has come through from a 0% tariff? Because you also said that we are -- we could also be eligible for that, right? So if we -- if tomorrow, we are eligible, will it really help us to get to that 0% and from cost perspective? Is it viable or not?

- Dipali Goenka:** First of all, let me clarify one thing on this deal that is happening with Bangladesh, and it's still going on as a conversation where the quotas are there. So there will be a certain quota that will be on the country and then the rest will be on 19%. And similar thing has been worked out for - that is continuing -- there's a conversation happening there, too.
- So we will have to see how this pans out. For Bangladesh, getting in U.S. cotton to make -- see, Bangladesh doesn't grow any cotton. Anyway, it was importing from India. Now they'll import it from United States of America. So anyway, that was one thing that they were already doing.
- So that was the cost they were anyway incurring -- but it is also the quota that is going to be a very interesting opportunity where we are looking at, but the rest will be at 19% only. Now if you look at Bangladesh, it is better upside for apparel. And I mean, their inflations have also caught on with them as a country. So we'll see how this pans out going forward.
- But let me be very and I think we should be confident as a country where with this 18%, we are far more competitive, not only in the terms of the tariffs, but in the terms of being a stable democracy with cotton having that next doors, but a strong infrastructure and a back end with MSMEs as well. So I think as a country, India, we should be very confident about this opportunity that we have.
- Aradhana Jain:** And in terms of raw materials, how much percentage of our raw materials would be cotton and the rest of, say, MMF Fiber for us?
- Dipali Goenka:** See, mostly for our home textiles, it is 100% cotton. And for our flooring, that's where we have the man-made Fiber. So that it just is that much. And along with our advanced textiles where you have others like viscose as well. So that actually makes around in the portfolio around 10% to 15% of our inputs of manmade Fiber.
- Aradhana Jain:** And is it fair to assume that most of the cotton we are procuring from India itself?
- Dipali Goenka:** So 70% of our cotton comes in from India, and the rest comes in from the different parts of the world. Yes.
- Moderator:** The next follow-up question comes from the line of Prerna Jhunjhunwala from Elara Securities.
- Prerna Jhunjhunwala:** For U.K., since the FTA is nearby, have we started conversations with our U.K. clients for enhancing orders? How are things moving on the U.K. side?
- Dipali Goenka:** So Prerna, if I may say here that we have already been present in all these countries and with all the major retailers. And now the opportunity is to scale that up. Our presence is already there. Our offices are there. We also have our warehousing in U.K. Our teams are sitting there actually seeding the market on a regular basis.
- Now it is only going to scale up. The opportunity here is like how we have in the United States of America. Now here, we're going to do -- there's an opportunity to do business plans together,

look at kind of an opportunity growth here, Prerna. So that's going to be another next level where we're going to take it.

Prerna Jhunjunwala: Okay. So, I mean, what is the kind of market in the U.K. in terms of price points that we're seeing and the order sizes that we are seeing, it's going to be materially different than what is U.S. right now, right? So just trying to get some understanding on how we can see the scale up in U.K. as Europe is still far?

Dipali Goenka: So I'll tell you one thing, U.K. will have an opportunity in the terms of quality more than quantity. And like there are certain retailers like John Lewis and the others where you will have far more premium luxury products -- and the others will be the opportunity in the terms of, yes, value.

And there also, it is pretty substantial in the terms of our towel category. The other opportunity that we'll have is in the terms of bedding and seats, where because we couldn't compete with these countries like Pakistan, we now -- that will also open a door for us because we'll be competitive there to Prerna.

Moderator: Our next question comes from the line of Riddhesh Gandhi from Discover Capital.

Riddhesh Gandhi: Just had a question with regards to again on this EU FTA. Just wanted to understand how large is the EU market compared to the U.S. market, both for the bed sheet and towers. What is our market share in the EU? And effectively speaking, is the primary reason why our existing market share is low because of the duties keeping are higher. And so is it that the actual opportunity? Just wanted to understand the scale of it?

Dipali Goenka: As I said earlier, that U.S. -- like if I talk about Europe, which is the -- we have -- I said it in the opening remarks, Riddhesh, that \$260 billion the import of textile and apparel. And now that becomes India's opportunity because India was just doing \$7 billion of business with Europe and -- so this is a huge opportunity. The delta is huge. And so that actually helps us to compete and sets the platform for us to -- the stage is now set to scale that up.

Riddhesh Gandhi: Got it. And the other question I had for you was with regards to -- you indicated that it would take a few quarters. I understand that obviously, the Q4 is, I mean, almost over. But with regards to -- I mean, wouldn't it be almost instant where Q1 onwards, I mean, support which we would have been providing for the 25% oil tariffs will go away. And therefore, the growth revenues and the margin should again be on -- with the previous trajectory?

Dipali Goenka: Yes, I'll tell you one thing. The thing is it takes time to scale up now, right? Because with the 50% tariff, there's a lot of supply chain for the whole system, right? So there's a lot of -- and that's what it will take for us to scale up for the retailers as well. So now from quarter 4, that's the reason I said it's going to be a scale up from here. And it is definitely a gradual process because the supply chain in textiles is a longer one comparatively.

- Riddhesh Gandhi:** Got it. And just to understand, are the inventory levels at the retailer level at the moment reasonably low given I would assume that ordering would have been slower given the tariffs, which are there and hope of a resolution or is that not the case?
- Dipali Goenka:** So I'll tell you one thing. A lot of it has been taken care of because it has been -- December has -- quarter 3 of ours is their end of year, right, financial year. Already, they have taken care on the books are closed. So now January onwards starts their new year. So that's where they have all the reconciliations done and they move forward.
- Riddhesh Gandhi:** No. But I'm asking, are the overall -- I mean, inventory levels at the retailer end reasonably low and thin and therefore, there would be some amount of restocking opportunity as well or that's not?
- Dipali Goenka:** So that actually is having -- that needs to be seen because retailers like clubs and mass retailers, the inventories would have got over because they already have passed the Black Friday and the sales have happened, though it was relatively lower. But I think they would have been there in the terms of reducing the inventories by 60% to 70%. The rest is in there, which is on a roll anyway, Riddhesh.
- Riddhesh Gandhi:** Good it. Understood.
- Moderator:** Sorry to interrupt Riddhesh may we request.
- Riddhesh Gandhi:** Okay. No problem. I will rejoin.
- Moderator:** Thank you so much. Our next question comes from the line of Vishal Mehta from IIFL Capital.
- Vishal Mehta:** Thanks for taking my questions and congratulations on a resilient performance, I would say. So my first question is, I just wanted to understand the tariff-related impact in this quarter. While it's difficult to probably quantify on the volume loss, but if you could quantify discount-related impact that you've had in this quarter? And does it impact both revenues or you just probably take that hit in the cost and it's seen only in margin. So just a clarification there would be helpful?
- Dipali Goenka:** So see, you cannot quantify this. First of all, let me just put that to you. The important thing is revenue and margins are related because imagine when you are increasing -- most of the retailers increase the retail prices, right? And as a result, you would see a kind of inflation setting in, you will see that kind of an impact in the terms of buying.
- So that actually becomes kind of a setback that you would have seen. And yes, the impact has been there, but quantifying it is a little difficult because everything is in your pipeline is on the road in the terms of your goods in transit to the kind of dispatches and to the other things as well. But yes, it has been a massive impact as well. I just want to say that.
- Vishal Mehta:** No, ma'am, just the discounting related impact, even that is difficult to quantify as in the discounts that you've given to customers?

- Dipali Goenka:** See, it is 25 plus 25%, right? So we were definitely most uncompetitive compared to all the countries, right? So because of our strategic partnerships, we could see how we could work together through these challenging times. So we -- like in the terms of the oil tariffs, how could we take that burden and the reciprocal, how could be -- they could work through. So that's the way we move that forward.
- Vishal Mehta:** Okay. Fair. The next question probably was on your home textile branded piece. I see in your presentation that the business has broadly stayed flat or a minor decline. But in your comments, you mentioned that Christy grew well, 30-odd percent plus growth that you've seen in Christy brand. So does this imply your other brands kind of declined? And what led to that? And what's the outlook on your other brands, if you could probably give some sense around that?
- Dipali Goenka:** Absolutely, Vishal. Let me give you a perspective here. So when we spoke about when you saw your brand sales there, you see even a licensed brand sales, right? So that's where you saw kind of a decline. But when I see about our own brands, that is Christy, Spaces and Welspun, we have seen an uptake. So Christy has had a massive uptake of around 30%, 31%. Even our domestic businesses in Spaces and Welspun have seen an upside, which should continue to grow, yes.
- Vishal Mehta:** Okay. Fair. And lastly, on advanced textiles, last question. In advanced textile, we have another peer in the industry who's probably growing his advanced textile business well and has not seen kind of a tariff pressure. But we've continued to see pressure in this segment. But going forward, more so, are we looking to add more products in this segment? How are we seeing this particular segment of ours going forward?
- Dipali Goenka:** So let me first clarify a few things. When you talk about advanced textile, there's a very different kind of this very -- there's building materials that come in, which will not get impacted. For us, there are materials that we are doing are spunlace, which is commodity. The others are wet wipes, needle punch where we are making far more innovative products.
- So we were not competitive compared to the countries where it was imported from, whether it was Europe, U.K. and primarily United States of America, I would say. But now with the opening up of all the FTAs, this becomes a huge opportunity for us. Even in U.S.A. in the terms of wet wipes in the major retailers that we're talking to or even in U.K. and Europe in the terms of innovative products that we are working with or rest of the world as well. So let me just put that in. It's a huge opportunity for us in the advanced textiles, where we will see that growth of double digit and also very strong margins as well.
- Moderator:** Your next question comes from the line of Rohit Ohri from Progressive Shares.
- Rohit Ohri:** Two questions from my side. First one being, when you mentioned that our procurement for cotton has a split of 70-30, my question is that what percentage is imported from U.S., may it be Suprema, Pima or maybe Egyptian cotton? What is the percentage that we take from U.S.?
- Dipali Goenka:** So see, Egyptian comes in from Egypt. And Prima Suprema and the uplink cotton or cotton grown in U.S.A. comes in from United States of America. And as I said, that 60% to 70% comes

in from India because India is the primary grower of cotton. 30% is the cotton, which will have that strong mix of U.S. cotton and also the Egyptian cotton and other cottons as well and organic in Australia too.

Rohit Ohri:

Okay. My second question, in terms of the traditional sales mix, which we had, which was 60%, maybe America, 40%, U.K. And if we split it further, it becomes 20 U.K. and then Europe is having -- 13%, sorry, and the rest of the world also has -- and with the focus coming on ANZ and Japan.

Do you think that the mix or the pie will shift because in one of the interviews also at Davos, you also did mention about artificial intelligence, which could be applied for fetching better productivity gains or maybe reducing the inventory levels or improving the workforce. So do you think that the pie will shift or it will remain more or less the same?

Dipali Goenka:

So I'll tell you one thing, pie will grow. Rohit, the pie is definitely going to grow. So right now, we will see that opportunity upswing coming in. The pie is definitely going to grow in the terms of share of the countries. Earlier, it was primarily -- see, we had a disadvantage of the U.K., Europe impact in the terms of our duty-free element, but now that has opened up. And other FTAs are opening up.

Now you know the Chile coming in, the Peru coming in, the Canada coming in, GCC opening up. Australia, New already happened. Japan is again a very interesting country where you will see again an upside. So this pie will grow. So you can automatically see that across all the categories that we do is where you will see an opportunity.

And when you talk about AI and the workforce, see, you already know that textile is a very labour-intensive industry, right? To get efficiency, to get productivity. AI will be a very interesting element that we are actually exploring and continue to implement in a smaller way and continue to grow that because it's going to be a very big element going forward to keep us competitive here.

Rohit Ohri:

Any number you'd like to put in terms of the spends that you'll make probably towards Industry 4.0 and AI going forward?

Dipali Goenka:

See, the investments will happen as we go forward, and these actually become a part of the opex cost. So we'll continue to grow here. And we have to get competitive guys. I mean I'm very clear about it. This is something our throughput, our costs, everything will have to get competitive going forward.

Moderator:

Ladies and gentlemen, we will take that as the last question for today. I would now like to hand the conference over to the management for closing comments.

Dipali Goenka:

Thank you. As we close quarter 3 FY '26, the external environment is beginning to turn more constructive. The recent trade agreements meaningfully enhance our export competitiveness in our core and emerging product portfolio across all global markets. At the same time, India becomes a very important opportunity for our domestic brands, supported by improving

affordability and steady consumer demand. The investments we have made over the past few years in capacity, capabilities and brands position us well to capitalize on emerging opportunities. Thank you for your continued trust and support. We look forward to engaging with you again next quarter.

Moderator:

Thank you. On behalf of JM Financial, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.