Vardhman Textiles

India | Textile | Result Update

Global Markets Research

22 January 2026

Tariff-led margin miss

Rating: Accumulate
Target Price: INR 469
Upside/Downside: 18%
CMP: INR 396
As on 21 January 2026

Vardhman Textile's (VTEX IN) Q3FY26 earnings missed Elara estimates, with sales/EBITDA/PAT down 4.6%/23.7%/25.2%, respectively. The miss was primarily driven by margin contraction, an outcome of US tariff-led uncertainty, which weighed on fabric volumes. VTEX's synthetic fabric and existing fabric plant expansions are on track and may be completed by Q4FY26, enabling growth from FY27. Margin pressures, arising from weak demand led by US tariffs, were partially offset by raw material procurement at lower prices. We cut our earnings estimates by 9.5%/12.3%/4.6% for FY26E/27E/28E respectively, factoring in correction in realizations. Thus, we lower our TP to INR 469 (from INR 491), valuing the stock on 7.5x FY28E EV/EBITDA (unchanged). **We maintain Accumulate**.

Revenue grew 1.6% YoY to INR 25,053mn, led by a 2.0% YoY increase in textiles, partially offset by 6.7% YoY de-growth in the Acrylic Fiber segment (~3% of overall revenue). Yarn volume (external sales) grew 17.0% YoY and processed fabric volume declined by 7.5% YoY. VTEX is operating at a utilization of 95% for yarn and 89% for the processed fabric segment. Expect revenue CAGR of 5.2% in FY25-28E, led by increasing capacities in the fabric business.

EBITDA margin contracted 134bps YoY to 11.3%: Gross margin contracted 138bps YoY to 43.0%, primarily led by lower yarn and fabric realization (VTEX is absorbing US tariff burden from exporters; cotton prices have corrected). So, EBITDA decreased 9.1% YoY to INR 2,844mn with margin contraction of 134bps YoY to 11.3%. The Textile segment reported an EBIT margin of 9.4%, down 100bps YoY, with EBIT declining 7.9% YoY to INR 2.3bn. The Acrylic segment delivered an EBIT margin of 9.5%, with EBIT of INR 73mn. We expect EBITDA margin to expand to 15.2% by FY28E, supported by an improved product mix and likely reversion of spreads, led by demand recovery and favorable cotton price.

Capex on schedule: VTEX is likely to complete its yarn modernisation, fabric capacity expansion and green power investments by Q4FY26. VTEX incurred a capex of ~INR 10bn in FY25 and we expect a capex of INR 13.2bn in FY26E. The company plans to double its garment capacity (currently small at 6,000-7,000 shirts). This is a strategic shift from previous stances, though the absolute capex remains small relative to the total company size.

Retain Accumulate; TP reduced to INR 469: We expect earnings CAGR of 7.9% in FY25-28E, led by improvement in margin and operationalization of new plants. The company's timely foray into synthetic fabric products, along with favorable priced cotton procurement, should further support margins. We revise our TP downwards to INR 469 (from INR 491) as we cut our FY26/FY27E/FY28E earnings estimates by 9.5%/12.3%/4.6% respectively to factor in lower margin assumptions amid sustained US tariff overhang and weaker demand, valuing VTEX on 7.5x FY28E EV/EBITDA on revised estimates. We maintain Accumulate.

Key data

Key data	
Bloomberg	VTEX IN
Reuters Code	VART.NS
Shares outstanding (mn)	289
Market cap (INR bn/USD mn)	115/1,249
EV (INR bn/USD mn)	119/1,293
ADTV 3M (INR mn/USD mn)	193/2
52 week high/low	540/361
Free float (%)	35

Note: as on 21 January 2026; Source: Bloomberg

Price chart

Source: Bloomberg

Shareholding (%)	Q4 FY25	Q1 FY26	Q2 FY26	Q3 FY26
Promoter	64.2	64.2	64.2	64.4
% Pledge	0.0	0.0	0.0	0.0
FII	5.8	6.0	5.8	5.7
DII	16.7	16.6	16.4	16.3
Others	13.3	13.2	13.6	13.5

Source: BSE

Price performance (%)	3M	6M	12M
Nifty	(2.7)	0.3	9.3
Vardhman Textiles	(3.0)	(20.9)	(17.2)
NSE Mid-cap	(3.4)	(2.1)	7.3
NSE Small-cap	(10.5)	(13.5)	(6.1)

Source: Bloomberg

Key Financials

YE March (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue (INR mn)	95,047	97,849	99,039	106,199	114,012
YoY (%)	(6.2)	2.9	1.2	7.2	7.4
EBITDA (INR mn)	9,732	12,628	12,452	14,984	17,367
EBITDA margin (%)	10.2	12.9	12.6	14.1	15.2
Adj PAT (INR mn)	6,316	8,833	7,756	9,095	11,112
YoY (%)	(20.6)	39.8	(12.2)	17.3	22.2
Fully DEPS (INR)	22.2	31.1	27.3	32.0	39.1
RoE (%)	7.1	9.2	7.5	8.3	9.4
RoCE (%)	5.6	8.0	6.6	7.3	8.4
P/E (x)	17.8	12.8	14.5	12.4	10.1
EV/EBITDA (x)	12.2	9.4	9.5	7.9	6.8

Note: Pricing as on 21 January 2026; Source: Company, Elara Securities Estimate

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Financials (YE March)

Income Statement (INR mn)	FY24	FY25	FY26E	FY27E	FY28E
Total Revenue	95,047	97,849	99,039	106,199	114,012
Gross Profit	39,109	43,835	43,848	48,331	52,825
EBITDA	9,732	12,628	12,452	14,984	17,367
EBIT	5,686	8,618	7,810	9,524	11,959
Interest expense	1,023	773	1,027	1,187	1,411
Other income	3,259	3,360	2,971	3,186	3,648
Exceptional/ Extra-ordinary items	-	-	-	-	-
PBT	7,923	11,205	9,754	11,522	14,196
Tax	1,982	2,815	2,458	2,904	3,577
Tax	1,982	2,815	2,458	2,904	3,577
Minority interest/Associates income	375	443	460	477	493
Reported PAT	6,316	8,833	7,756	9,095	11,112
Adjusted PAT	6,316	8,833	7,756	9,095	11,112
Balance Sheet (INR mn)	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Shareholders' Equity	182,004	197,920	210,302	224,794	242,750
Minority Interest	879	696	738	787	847
Trade Payables	3,584	4,966	3,962	3,717	3,990
Provisions & Other Current Liabilities	8,647	4,619	1,595	1,665	1,742
Total Borrowings	12,521	11,526	20,551	22,891	24,799
Other long term liabilities	3,175	3,554	3,586	3,621	3,660
Total liabilities & equity	**119,808**	**124,321**	**135,582**	**145,079**	**156,412**
Net Fixed Assets	76,354	87,841	105,040	108,131	104,326
Goodwill	25	25	25	25	25
Intangible assets	96	78	79	83	88
Business Investments / other NC assets	17,194	17,252	17,564	17,906	18,281
Cash, Bank Balances & treasury investments	878	890	992	2,124	6,988
Inventories	41,799	37,615	39,616	42,480	45,605
Sundry Debtors	12,203	12,976	12,875	13,806	14,822
Other Current Assets	9,437	11,565	11,912	14,589	18,441
Total Assets	**119,808**	**124,321**	**135,582**	**145,079**	**156,412**
Cash Flow Statement (INR mn)	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Cashflow from Operations	**(10,552)**	**16,438**	**6,911**	**11,152**	**13,481**
Capital expenditure	(2,743)	(9,687)	(13,242)	(7,011)	-
Acquisitions / divestitures	-	-	-	-	-
Other Business cashflow	13,779	771	-	(2,313)	-
Free Cash Flow	**484**	**7,522**	**(6,331)**	**1,828**	**13,481**
Cashflow from Financing	(3,348)	(7,509)	6,433	(696)	(8,617)
Net Change in Cash / treasury investments	(2,864)	12	102	1,132	4,864
Key assumptions & Ratios	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
Dividend per share (INR)	3.5	3.4	5.5	6.5	7.5
Book value per share (INR)	320.2	347.9	369.6	395.1	426.6
RoCE (Pre-tax) (%)	5.6	8.0	6.6	7.3	8.4
ROIC (Pre-tax) (%)	5.7	8.1	6.6	7.3	8.7
ROE (%)	7.1	9.2	7.5	8.3	9.4
Asset Turnover (x)	2.4	2.4	2.1	2.0	2.1
Net Debt to Equity (x)	0.1	0.1	0.2	0.2	0.1
Net Debt to EBITDA (x)	1.2	0.8	1.6	1.4	1.0
Interest cover (x) (EBITDA/ int exp)	9.5	16.3	12.1	12.6	12.3
Total Working capital days (WC/rev)	193.6	202.3	221.9	240.5	265.6
Valuation	**FY24**	**FY25**	**FY26E**	**FY27E**	**FY28E**
P/E (x)	17.8	12.8	14.5	12.4	10.1
P/Sales (x)	1.2	1.2	1.2	1.1	1.0
EV/ EBITDA (x)	12.2	9.4	9.5	7.9	6.8
EV/ OCF (x)	(11.2)	7.2	17.2	10.6	8.8
FCF Yield	0.0	0.1	-0.1	0.0	0.1
Price to BV (x)	1.2	1.1	1.1	1.0	0.9
Dividend yield (%)	0.9	0.9	1.4	1.6	1.9

Note: Pricing as on 21 January 2026; Source: Company, Elara Securities Estimate

Expect revenue CAGR of 5.2% in FY25-28E

Exhibit 1: Quarterly financials

(INR mn)	Q3FY26	Q3FY25	YoY (%)	Q2FY26	QoQ (%)	Elara Est.	Act vs. Est(%)
Net sales	25,053	24,653	1.6	24,801	1.0	26,255	(4.6)
EBITDA	2,844	3,128	(9.1)	3,344	(15.0)	3,728	(23.7)
EBITDA margin (%)	11.3	12.7	-134 bps	13.5	-214 bps	14.2	-285 bps
Other income	585	684	(14.5)	368	59.0	761	(23.2)
Interest	262	188	39.5	206	27.5	420	(37.6)
Depreciation	1,183	1,008	17.4	1,141	3.7	1,234	(4.1)
PBT	1,983	2,615	(24.2)	2,365	(16.2)	2,836	(30.1)
Tax	451	608	(25.8)	610	(26.1)	709	(36.4)
Share of associate profit/ minority interest	132	98	33.8	115	14.1	98	33.8
PAT	1,663	2,106	(21.0)	1,870	(11.1)	2,225	(25.2)
Adjusted PAT	1,663	2,106	(21.0)	1,870	(11.1)	2,225	(25.2)
EPS (INR)	5.8	7.4	(21.0)	6.6	(11.1)	7.8	(25.2)

Source: Company, Elara Securities Estimate

Analyst call highlights

Impact of US tariffs

- The operating environment in Q3 was significantly pressured by US tariff-related disruptions, impacting both garment exports and home textiles. The implementation of tariffs from late August led to reduced demand from domestic customers exporting to the US. As a result, fabric capacity and volumes were impacted in the quarter.
- VTEX is supporting customers on case-to-case basis. There is a marginal impact on margin.
- To mitigate US tariff risks, VTEX is actively diversifying into non-US markets, specifically targeting the EU, the UK, Australia, and Canada

Yarn business

- Domestic yarn prices have remained soft. Recent demand from China has improved, supporting a price recovery of ~USD 0.10 to USD 0.15 per kg over the past 30 days
- While domestic demand remains soft, exports have shown selective improvement. Indian yarn exports rose, driven largely by demand for contamination-free yarns.
- High costs and old technology have led to the permanent closure of 11-12mn spindles in India in the past 2-3 years. Management estimates another 2-4mn spindles could close if Indian cotton prices do not correct.
- The company operated at 95% utilization in the yarn business.

Fabric business

- Capacity utilization for fabric declined in this quarter.
- Processed fabric capacity has increased from 14.5mn meters/month to 18.5mn meters/month. Including the newly added 1.5mn meters for performance wear, total capacity is now ~20.0mn meters/month (no increase in capacity of Grey Fabric).
- **Performance wear:** Vardhman Performance Fabrics has been commissioned, with scale-up expected in Q1 of the next financial year. The company targets 60% utilization for this new unit in FY27, balancing domestic orders with international sports and outerwear customers.
- The company operated at 89-90% utilization in fabric business.

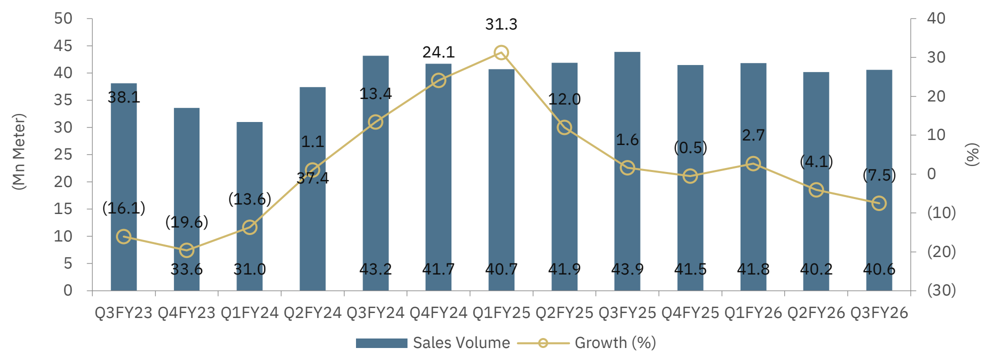
Cotton: scenario and margin implications

- Indian cotton has become structurally expensive due to an 8% increase in minimum support price (MSP) and the reinstatement of the 11% import duty from 1 January 2026.
- Indian mills face a cost disadvantage of 4 cents per pound compared to competitors in Vietnam and Indonesia (Indian landed cost 78 cents vs. global 75cents).
- The current cotton crop is estimated at 29.2mn bales against a consumption of 32.2mn bales, implying a deficit of nearly 3mn bales that must be met through import.
- Cotton Corporation of India (CCI) has procured ~50% of arrivals, acting as a monopolistic stockiest and keeping open market prices elevated.
- Q2 did not have much cotton inventory at high cost. Hence, no cotton inventory loss as such was observed in Q3FY26 because of fall in cotton prices.
- Yarn and fabric prices declined because of US tariff. Hence, correction in cotton prices could not be taken.
- The company has imported enough cotton in Q3FY26.
- Cotton Corporation of India (CCI) is buying significant amount of cotton and is a monopoly in cotton inventory in India. Hence cotton prices are very uncompetitive. Indian cotton is again higher by 7-8 cents/pound than NY Future (current Indian cotton cost is 73-75 cents). With CCI pricing its sales at INR 56,900 per candy, this translates to price of USD 80 cents per pound. India is at a disadvantage of USD 20 cents per pound against Vietnamese importers.
- The company is aggressively pursuing green initiatives, aiming to increase green power usage from the current 9% to ~49-50% by FY27.

Capex

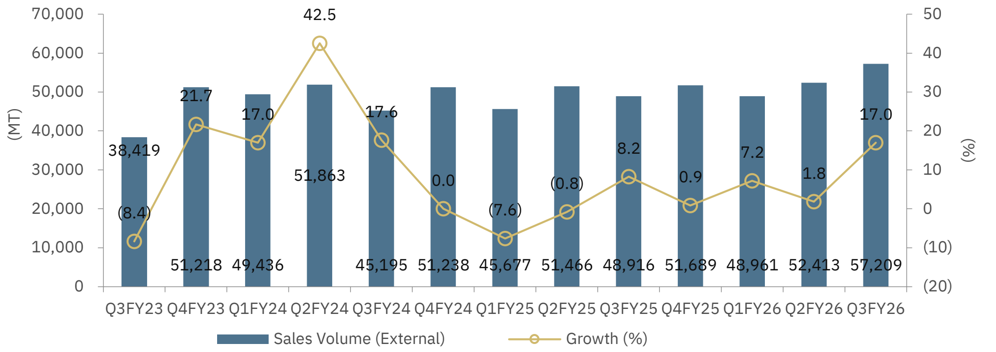
- The company plans to double its garment capacity (currently small at 6,000-7,000 shirts). This is a strategic shift from previous stances, though the absolute capex remains small relative to the total company size.
- Significant capital expenditure in fabric expansion (Budhni) and yarn modernization is ongoing and on schedule, to be completed by Q4FY26.

Exhibit 2: Fabric – Volume decreased 7.5% YoY



Source: Company, Elara Securities Research

Exhibit 3: Yarn – Volume increased 17.0% YoY



Source: Company, Elara Securities Research

Exhibit 4: Valuation

Particular	INR mn
EBITDA - FY28E	17,367
EV/EBITDA target multiple (x)	7.5
EV - FY28E	1,30,217
Net Debt	(3,121)
Market Cap	**1,33,338**
O/s Shares (n)	285
Target Price (INR)	469
CMP (INR)	396
Potential upside (%)	18.4
Implied P/E (x)	12.0
Implied P/BV (x)	1.1

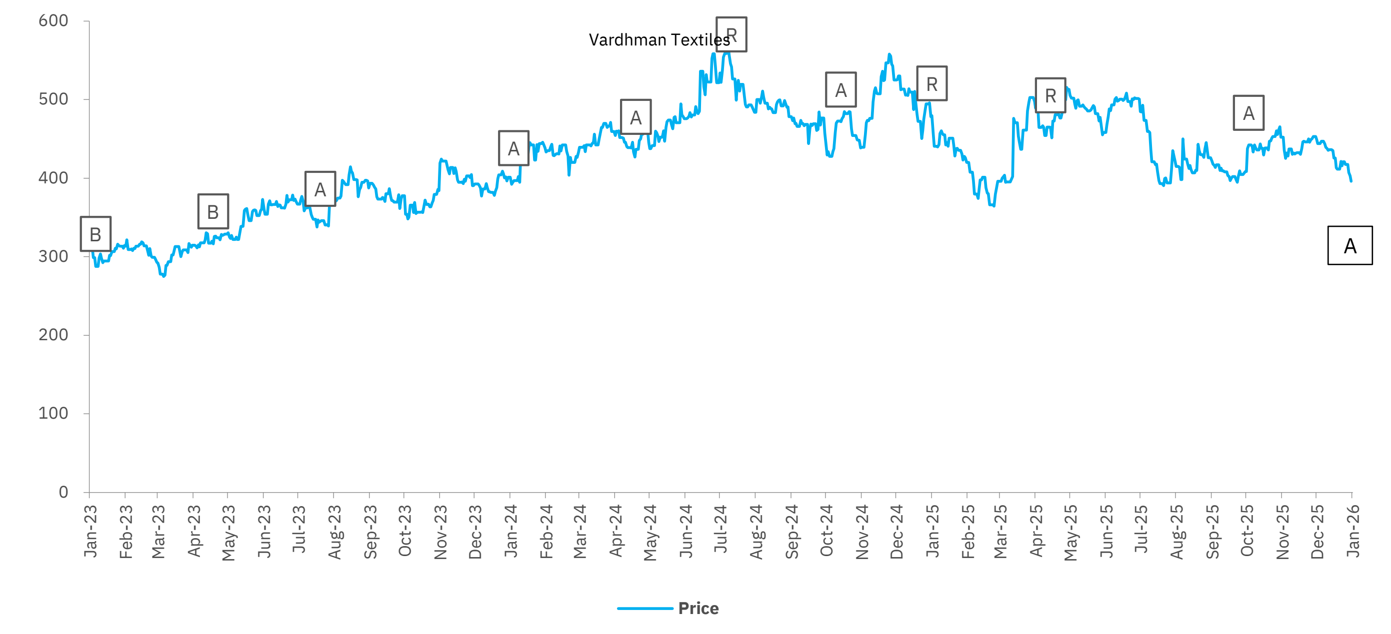
Source: Elara Estimates

Exhibit 5: Change in estimates

(INR mn)	Old			Revised			Change (%)		
	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	1,01,272	1,08,820	1,15,476	99,039	1,06,199	1,14,012	(2.2)	(2.4)	(1.3)
EBITDA	13,976	16,781	18,375	12,452	14,984	17,367	(10.9)	(10.7)	(5.5)
EBITDA margin (%)	13.8	15.4	15.9	12.6	14.1	15.2	-123 bps	-131 bps	-68 bps
Adjusted PAT	8,569	10,374	11,649	7,756	9,095	11,112	(9.5)	(12.3)	(4.6)
EPS (INR)	30.1	36.5	40.9	27.3	32.0	39.1	(9.5)	(12.3)	(4.6)
Target Price			**491**			**469**			**(4)**

Source: Elara Securities Estimate

Coverage History



Date	Rating	Target Price (INR)	Closing Price (INR)
27-Jan-2023	Buy	399	288
09-May-2023	Buy	385	316
10-Aug-2023	Accumulate	385	345
25-Jan-2024	Accumulate	420	397
10-May-2024	Accumulate	492	437
01-Aug-2024	Reduce	527	538
04-Nov-2024	Accumulate	509	472
22-Jan-2025	Reduce	482	479
05-May-2025	Reduce	458	464
24-Oct-2025	Accumulate	491	437
21-Jan-2026	Accumulate	469	396

Guide to Research Rating

BUY (B)	Absolute Return >+20%
ACCUMULATE (A)	Absolute Return +5% to +20%
REDUCE (R)	Absolute Return -5% to +5%
SELL (S)	Absolute Return < -5%

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