

Arvind Fashions Ltd — Feb 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Strong Beat **One-line:** Arvind Fashions (AFL) has transitioned from a portfolio recovery story to a USPA-led growth juggernaut, where 25% growth in the flagship brand and 50% growth in online B2C are successfully absorbing the "sticker shock" of GST hikes in premium brands and repositioning costs in Flying Machine.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Strong Beat	Revenue (14.5%) and Adjusted PAT (65%) growth significantly exceeded the "low double-digit" historical baseline.	☐
Earnings Quality	High (Core driven)	EBITDA growth (18.2%) outpaced revenue, driven by 50 bps Gross Margin expansion and full-price sell-throughs.	☐
Guidance Confidence	Strong	Re-affirmed 1.5 Lakh sq. ft. net expansion and double-digit revenue trajectory despite macro volatility.	☐
Management Credibility	Strong	Proactive derisking of the Bangladesh supply chain and transparent disclosure of "Code on Wages" one-offs.	☐
Business Quality Signal	Improving	Portfolio concentration risk is mitigating as Footwear (+23%) and Flying Machine LTL (+17%) emerge as secondary engines.	☐
Key Q&A Exchange	Q2: FM Strategy	Amisha Jain detailed the Gen-Z pivot for Flying Machine, moving from a generic denim brand to a unisex, digital-first "community" brand.	☐
The Street's Primary Anxiety	PVH / GST Impact	Fear of volume loss due to the 12% to 18% GST hike on Tommy/CK; management noted stabilization after an initial "blip."	☐
Capital Cycle Stage	Harvesting / Growth	Internally funding store expansion while maintaining stable NWC days (adjusted for seasonal derisking).	☐
Margin / Return Ratio Trajectory	Improving	EBITDA margins reached 14.2%, a 40 bps expansion YoY; operating leverage is visible in the PBT growth.	☐
Pricing Power	Expanding	Sustained growth in USPA despite premiumization efforts and reduction in discounting windows.	☐
FCF Conversion & Quality	Distorted (Seasonal)	CFO-to-PAT is impacted by a ₹511 Cr inventory buildup (derisking Bangladesh elections), a temporary working capital deployment.	☐
Competitive Moat Signals	Widening	USPA's 25% growth at a ₹1,000 Cr+ scale indicates significant market share consolidation in premium casuals.	☐
Balance Sheet Strength	Adequate	Working capital remains under control (NWC at 68 days); debt profile is stable.	☐
Working Capital Efficiency	Stable	NWC days held to 68 vs 65 in the prior quarter, despite the deliberate inventory front-loading.	☐
Mgmt Guidance Track Record	Reliable	Delivered on footwear recovery and online B2C pivot as promised in previous cycles.	☐
Key Vulnerability / Red Flag	Geopolitical Risk	15% of sourcing is dependent on Bangladesh; current derisking costs (inventory carry) impact short-term cash flow.	☐
Management Tone	Confident / Aggressive	Management was focused on "Gen-Z relevance" and "Direct-to-Consumer" share (now 63% of mix).	☐

Key Takeaways (Positives & Negatives): * **Positives:** US Polo Assn (USPA) continues to defy the "large base" law, accelerating to 25% growth driven by footwear and kids' adjacencies. The direct channel mix (Retail + Online B2C) has reached a record 63%, giving AFL superior control over pricing and inventory freshness. The BIS-related footwear disruption is officially over, with the segment returning to 20%+ growth. * **Negatives:** The PVH portfolio (Tommy/CK) faced a "sticker shock" from the GST rate hike (12% to 18%), leading to a temporary slowdown in October/November. Employee costs remain elevated due to investments in AI/Data Science talent and one-time welfare charges. * **The Street's Concern:** Analysts were skeptical of the long-term stagnancy of Flying Machine. Management's response—reacquiring the Flipkart stake and pivoting to a Gen-Z unisex focus—signals a clean break from the old "wholesale-heavy" denim model. * **Watchpoint:** Monitoring the launch of the Flying Machine D2C platform in FY27; this will be the ultimate test of whether the brand can truly capture Gen-Z wallet share.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: PPT figures primary. Concall used for commentary.

Metric	Current Qtr (Q3 FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	1377	↑ 14.5%	↓ 2.9%	↑	Driven by USPA (+25%) and Online B2C (+50%); QoQ drop is seasonal post-festive peak.
Gross Margin (%)	~53.0% (Est)	↑ 50 bps	→	↑	Improvement led by better channel mix (Direct) and lower discounting.
EBITDA (₹Cr)	195	↑ 18.2%	↓ 2.5%	↑	Highest Q3 EBITDA; expansion driven by operating leverage on fixed costs.
EBITDA Margin %	14.2%	↑ 40 bps	↑ 10 bps	↑	Achieved despite high marketing investments and management transition costs.
PAT (Adj for Wages)	44	↑ 65.2%	↑ 18.9%	↑	Strong operational flow-through; Reported PAT was 33 Cr after 11 Cr Wage Code impact.
ROCE (%)	Not Stated	↑	→	↑	PPT notes "Commitment to higher ROCE" through asset-light expansion.
SSS Growth (%)	8.2%	↑	↓ 0.1%	→	Strong retail channel performance across brands; USPA LTL at 11%, FM LTL at 17%.
Store Count (Net)	~1000+	↑	↑ 41k sqft	↑	Added over 41,000 sq. ft. in Q3; on track for 1.5 Lakh sq. ft. for FY26.
Ad Spend % of Rev	Not Stated	↑	→	□	Management confirmed "Continued higher marketing investments" for brand visibility.
Inventory Days	99 (TTM avg)	↑	↑	□	1511 Cr inventory; up due to early inwards for SS26 to derisk Bangladesh issues.
NWC Days	68	↑ 9 days	↑ 3 days	□	68 days vs 59 days (LY) and 65 days (Sept'25); stable given the strategic inventory buildup.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹Cr)	YoY Growth	Margin	Trend	vs Co Avg	Key Development
U.S. Polo Assn.	~730 (Est)	25%	High	↑	Above	"Exceptional momentum"; adjacencies (innerwear, kids) also growing >25%.
Flying Machine	~180 (Est)	Muted	Turnaround	↑	Below	17% LTL in stores; reacquired Flipkart stake to pivot to Gen-Z unisex fashion.
PVH (Tommy/CK)	~310 (Est)	Low Single Digit	Very High	↓	Above	Impacted by 6% GST hike (12% to 18%) and geopolitical supply chain delays.
Arrow	~150 (Est)	Low Single Digit	Improving	→	Below	Supply chain delays in Bangladesh hit wedding season participation; growth in early single digits.
Adjacencies	~317 (Est)	23%	Improving	↑	In-line	Footwear back to 20%+ growth after BIS issues resolved; Womenswear up 50%+.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	Consistent double-digit growth.	Needs ~₹1,300 Cr in Q4 to hit 15% FY growth; very feasible given wedding season tailwinds.	Reliable.	Low
Guidance	Margins	Continued profitability improvement led by operating leverage.	Needs EBITDA to grow >15% in Q4; on track given 9M performance.	Consistent.	Low
Guidance	Expansion	1.5 Lakh Net Sq. Ft. addition in FY26.	Added ~1.15 Lakh sq. ft. in 9M; needs 35k sq. ft. in Q4. On track.	Reliable.	Low
Strategy	Digital Pivot	Online B2C to drive growth; share reaching 75% for D2C.	D2C (Retail+B2C) currently at 63%; B2C growing at 50% YoY. High feasibility.	Delivered.	Low
Strategy	Flying Machine	Reposition as Gen-Z brand; launch D2C platform in FY27.	High execution risk; requires brand equity shift from "old denim" to "youth fashion."	New initiative.	Moderate
Macro	Supply Chain	Derisk Bangladesh exposure (15% of product).	Front-loaded SS26 inventory in Dec'25; higher carry costs but protects sales.	Proactive.	Moderate
Balance	ROCE	Improvement led by asset-light expansion.	Shifting to SOR model for Flying Machine partners to reduce working capital risk.	Improved.	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Avinash K / Motilal Oswal	USPA Performance	Business Overview	"What drove 25% growth for USPA at a 2,000 Cr base? Is this channel filling?"	Management attributed growth to product elevation, premiumization, and 25%+ growth in adjacencies (innerwear, kids, footwear). Implication: USPA is not just a brand but a platform capturing wider wallet share, making it the primary value driver for AFL.	None	4.5	Clear and Quantified
2	4.5	Kaustubh Pawaskar / ICICIdirect	Flying Machine	Strategy	"How long will it take for Flying Machine to add materially to growth post-acquisition?"	Management indicated green shoots with 17% LTL and 40% B2C growth, but estimated it will take 2-3 seasons for full-scale growth. Implication: FM is in a structural transition phase; breakeven is expected by the end of next fiscal.	None	4.0	Specific timeline
3	4.0	Priyank / Vallum Capital	Minority Interest	Financials	"What explains the drop in non-controlling interest (Minority Interest)?"	The drop was linked to a Code of Wages impact in PVH and an SOR model change in Flying Machine requiring a sales reversal. Implication: Lower minority interest reflects	None	4.0	Logical explanation

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						temporary losses in joint ventures/ subsidiaries rather than a structural change in ownership.			
4	4.0	Priyank / Vallum Capital	Brand LTLs	Financials	"How does the weighted 8% LTL reconcile if USPA and FM are so high?"	Management clarified that while FM LTL was 17%, its share of the retail portfolio is low, and Arrow/PVH grew in early single digits. Implication: Portfolio performance is bifurcated; USPA is the outlier carrying the slower-growing legacy brands.	Specific LTL for Arrow/PVH	3.5	Partially Evasive
5	4.5	Tejash Shah / Avendus Spark	Digital Strategy	Strategy	"What is the rationale for increasing online B2C contribution?"	B2C allows for better control over pricing/ discounting and provides a direct feedback loop on consumer preferences. Implication: Shifting from B2B marketplaces to B2C improves "quality of revenue" and EBITDA margins over time.	None	4.5	Strategic clarity
6	4.0	Girdhar Chitlangia	Inventory Status	Financials	"Why has inventory grown faster	Inventory buildup was a conscious choice to derisk	None	4.5	Verifiable

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					than revenue?"	Bangladesh geopolitical issues and ensure on-time SS26 launch. Implication: Short-term cash flow drag is a hedge against long-term stock-out risks; inventory freshness is at an all-time high.			
7	3.5	Niraj / White Pine	Brand Breakeven	Financials	"When can Arrow and Flying Machine reach mid-single digit EBITDA margins?"	Arrow is already profitable; Flying Machine is expected to reach EBITDA breakeven by end of next year. Implication: AFL is 12-18 months away from having a fully profitable brand portfolio.	None	3.0	Vague on specifics
8	4.5	Shreyans J / Swan Investments	Denim Market	Strategy	"Denim has been a graveyard for brands. Why will FM succeed where others failed?"	Management is pivoting FM from a denim brand to a "Gen-Z lifestyle" brand, using digital strategy and unisex positioning. Implication: Success depends on brand "vibe" and cultural relevance rather than just denim quality; high execution risk.	None	3.5	Qualitative

PATTERN FLAGS & SENTIMENT * **The USPA Juggernaut:** Analysts were stunned by USPA's 25% growth. Management's confidence suggests that adjacencies (Kids, Footwear, Innerwear) are successfully extending the brand's lifecycle and depth, moving it from a "polo shirt" brand to a "lifestyle platform." * **Flying Machine Skepticism:** There is a recurring pattern of analysts questioning the FM turnaround. Management is now pivoting from a "product" fix to a "segment" fix (Gen-Z). This concern will likely resurface until the brand shows positive EBITDA. * **Geopolitical Derisking:** The Bangladesh situation is a new but significant theme. Management was proactive in justifying the inventory spike, framing it as "operational insurance."

Analyst Sentiment Verdict: The sentiment was **strongly positive**, primarily anchored by USPA's outlier performance. While there was friction regarding the PVH slowdown and employee cost spikes, the 65% adjusted PAT growth provided substantial comfort. Management's credibility on the "footwear recovery" from previous quarters has built trust, making analysts more willing to accept the temporary inventory drag.

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q2 FY26)	This Quarter (Q3 FY26)	Direction
USPA Growth	21%	25%	↑ Improving
Online B2C Growth	50%	50%	→ Stable
Retail LTL	8.3%	8.2%	→ Stable
Flying Machine LTL	Not specifically stated	17%	↑ Improving
Inventory (Value)	₹492 Cr	₹511 Cr	↓ Deteriorating
NWC Days	65 Days	68 Days	↓ Deteriorating
Ownership Structure	68.75% stake in AYBPL	100% stake in AYBPL (Flipkart exit)	↑ De-risking
Supply Chain Risk	General awareness	Active front-loading (Bangladesh derisking)	↔ New Watchpoint
PVH Trajectory	Strong/Consistent	Impacted by 6% GST hike shock	↓ Deteriorating
Employee Costs	Spiked 18% (one-time)	Remained high (structural hires for AI/Data)	↔ Monitoring

Investor Note: The core thesis is now a **"USPA + Adjacencies"** story. The fact that USPA grew at 25% despite its massive scale proves it has significant pricing power and brand pull. The temporary inventory drag and PVH's GST blip are transitional. The real needle-mover for the next 4 quarters will be the profitability of Flying Machine and the continued 20%+ growth in Footwear. AFL is no longer a "turnaround" play; it is a "compounding" play with a tail-end of legacy brands being cleaned up.