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 □1,511 Cr inventory buildup (derisking Bangladesh elections), a temporary working capital deployment.	□
Competitive Moat Signals	Widening	USPA's 25% growth at a □2,000 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.

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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

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						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

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
					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.

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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)	□1,492 Cr	□1,511 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 transitionary. 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.