

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline (Revenue) / Strong Beat (Adjusted Profitability) **One-line:** Arvind Fashions (AFL) has successfully institutionalized its "Direct-to-Consumer" pivot, where 50%+ growth in Online B2C across its secondary brands (Arrow, Flying Machine) is beginning to mirror the scale-defying momentum of USPA.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Beat	Adjusted PAT (continuing ops) grew 56% in Q4, significantly outstripping 14.8% revenue growth.	□
Earnings Quality	Moderate	High operating leverage from B2C shift is offset by a massive reported PAT loss (-93 Cr) due to exceptional items/discontinued operations.	□
Guidance Confidence	Strong	Re-affirmed "consistent double-digit revenue growth" and ROCE expansion through asset-light models.	□
Management Credibility	Strong	Delivered on the "Direct Channel" share increase (now 43% of mix) as promised in the FY25 transition plan.	□
Business Quality Signal	Improving	USPA is no longer a lone warrior; Arrow and Flying Machine reported 50%+ Online B2C growth, indicating multi-brand digital traction.	□
Key Q&A Exchange	N/A	No concall conducted for PPT_ONLY mode.	□
The Street's Primary Anxiety	Inventory Bloat	Inventory increased to ₹1,605 Cr (27% YoY) vs 14.8% revenue growth; management attributes this to the direct channel shift.	□
Capital Cycle Stage	Harvesting	Shifting to "Asset Light" for EBO expansion while sweating existing marquee store investments.	□
Margin / Return Ratio Trajectory	Improving	FY26 EBITDA margins expanded 40 bps; PAT growth (62% FY26) suggests significant bottom-line leverage.	□
Pricing Power	Expanding	Sustained "double-digit LTL" in Tommy Hilfiger and premiumization tailwinds in CK despite GST/macro pressures.	□
FCF Conversion & Quality	Weak	CFO is likely suppressed by a ₹346 Cr YoY increase in inventory; inventory days rose to 111 (est).	□
Competitive Moat Signals	Widening	USPA's ability to grow direct channels at >30% while scaling Footwear/Kids creates a high-barrier lifestyle ecosystem.	□
Balance Sheet Strength	Adequate	Borrowings rose to ₹531 Cr (vs ₹390 Cr LY) to fund working capital/inventory front-loading.	□
Working Capital Efficiency	Deteriorating	Inventory days rose significantly to 111 days (TTM basis) vs 99 days in Mar '25.	□
Mgmt Guidance Track Record	Reliable	Delivered 14% FY revenue growth, meeting the "mid-teens" historical promise.	□
Key Vulnerability / Red Flag	Reported vs Adj. Gap	The gap between Reported PAT (-93 Cr) and Adjusted PAT growth (56%) suggests heavy cleaning of the balance sheet/discontinued ops.	□
Management Tone	Confident	Focused on "Marquee EBOs" and "Product Innovation" (Autopress, Linen capsules).	□

Key Takeaways (Positives & Negatives): * **Positives:** The "Direct Channel" (Retail + Online B2C) now commands 43% of the total revenue mix (up from 40% LY). This structural shift is driving the 40 bps EBITDA margin expansion. USPA continues to outperform with >30% growth in direct channels, while adjacencies (Footwear/Kids) are now "significant growth drivers." Secondary brands (Arrow, Flying Machine) have finally cracked the digital code with 50%+ Online B2C growth. * **Negatives:** Working capital is the primary area of friction. Inventory has ballooned to ₹1,605 Cr, and borrowings have increased by ₹141 Cr YoY to support this carry. While management justifies this via "higher freshness" and the shift to direct retail (which requires more on-shelf stock), the FCF conversion for the quarter is likely negative. * **The Street's Concern:** Analysts will likely

focus on the massive reported loss of ₹93 Cr in Q4 vs the "Adjusted" growth story. The "Code on Wages" impact and discontinued operations continue to mask the core operational excellence. * **Watchpoint:** Monitoring whether the inventory spike (now 111 days) starts to normalize in H1 FY27; if not, AFL risks becoming a "growth without cash" story.

2. BUSINESS PERFORMANCE

2A. KEY METRICS

DATA SOURCE: Concall not available — commentary absent.

Metric	Current Qtr (Q4 FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (₹Cr)	1365	↑ 14.8%	↓ 0.9%	↑	Growth led by Direct Channels (>30% in USPA) and Online B2C (>50% in Arrow/FM).
Gross Margin (%)	Not in doc	Not in doc	Not in doc	→	Note: PPT states "Gross margin expansion" aided EBITDA.
EBITDA (₹Cr)	Not in doc	↑ 17.0% (FY)	Not in doc	↑	FY26 EBITDA growth was 17.0% YoY.
EBITDA Margin %	Not in doc	↑ 40 bps (FY)	Not in doc	↑	Expansion led by operating leverage and channel mix.
PAT (Adj continuing)	68.6 (Est)	↑ 56.0%	↑ 55.9%	↑	Adj. growth excludes Code on Wages and DTA charges.
Reported PAT (₹Cr)	-93	↓ (Loss)	↓ (Loss)	↓	Includes ₹120 Cr DTA charge in FY25/one-offs.
SSS Growth (%)	Not in doc	↑ Double Digit	Not in doc	↑	Tommy/CK delivered double-digit LTL growth.
Store Count (Net)	Not in doc	↑	↑	↑	PPT highlights "marquee" openings in Pune, Kochi, Gurgaon.
Ad Spend % of Rev	Not in doc	↑	→	□	"Continue higher marketing investments" cited for USPA/Arrow.
Inventory Days	111	↑ 12 days	↑ 12 days	↓	1,605 Cr inventory; "Higher share of direct channel led to higher inventory."
Net Working Capital (₹Cr)	541	↓ 1.3%	↓ 6.2%	→	NWC remains stable despite inventory spike due to higher payables.
Borrowings (₹Cr)	531	↑ 36.1%	↑ 13.9%	↓	Used to fund inventory and retail expansion.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co Avg	Key Development
U.S. Polo Assn.	Not in doc	Strong	High	↑	Above	Direct channels growing >30%; Footwear/Kids are significant drivers.
Arrow	Not in doc	Not in doc	Improving	↑	In-line	50%+ Online B2C growth; focus on Linen and "Autopress" innovation.
Flying Machine	Not in doc	Not in doc	Improving	↑	Below	50%+ Online B2C growth; scaling direct channels faster.
Tommy Hilfiger	Not in doc	Not in doc	Very High	↑	Above	Double-digit LTL growth; premiumization tailwinds aiding sell-thrus.
Calvin Klein	Not in doc	Not in doc	High	↑	Above	Direct channel growth fueled by timely seasonal launches.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	Consistent double-digit revenue growth.	Requires ~₹1,550 Cr/qtr in FY27 to sustain 15% growth. Highly feasible.	Delivered (14% FY26)	Low
Guidance	Margins	Margin expansion led by operating leverage/channel mix.	Requires 40-50 bps expansion annually; achievable through B2C growth.	Delivered (40 bps FY26)	Low
Guidance	ROCE	Expand ROCE led by working capital control and FCF.	Needs to reduce inventory days back to <100 to show genuine ROCE improvement.	Mixed (Inv. up)	Moderate
Strategy	Expansion	Accelerated EBO expansion (Asset Light).	Marquee stores opened in Pune, Kochi, Gurgaon in Q4.	Reliable	Low
Strategy	Digital	Online B2C to drive growth for FM/Arrow.	B2C now 14% of mix; management target was to scale this to >15%. On track.	Delivered	Low
Macro	Consumer	Favorable tailwinds around premiumization.	Visible in Tommy/CK LTL growth.	Reliable	Low
Balance	Working Cap	WC control to lead FCF generation.	Inventory growth (27%) is currently outpacing revenue growth (15%).	Missed (Short-term)	Moderate

(Section 4 not applicable — investor presentation only. No concall conducted or available.)

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3 FY26)	This Quarter (Q4 FY26)	Direction
Inventory (Value)	₹1,511 Cr	₹1,605 Cr	↓ Deteriorating
Inventory Days	99 Days	111 Days	↓ Deteriorating
Borrowings	₹466 Cr (Est)	₹531 Cr	↓ Deteriorating
Online B2C Share	11% (FY25 basis)	14% (FY26 Final)	↑ Improving
Wholesale Share	42%	42% (Protected)	→ Stable
Brand Traction	Arrow/FM under monitoring	Arrow/FM 50%+ Online B2C growth	↑ Improving
Thesis Focus	USPA dominance	USPA + Digital Turnaround of FM/Arrow	↑ Improving
Profitability Metric	Adjusted PAT (65% growth)	Adjusted PAT (56% growth)	→ Stable
Capital Employed	₹1,617 Cr (Dec 25)	₹1,692 Cr	□Monitoring

Investor Notes:

- * **The Inventory Tension:** The single biggest delta this quarter is the jump in inventory to ₹1,605 Cr. While management links this to "highest ever freshness" and the higher inventory requirement of direct channels, it has led to a ₹141 Cr YoY spike in borrowings. This is a deliberate bet on front-loading growth for FY27.
- * **The Digital Pivot is Real:** For the first time, Arrow and Flying Machine are not just "recovering" but are leading in a specific channel (Online B2C >50% growth). This validates the strategy of reacquiring the Flipkart stake and taking direct control of digital execution.
- * **USPA Platform:** USPA has transitioned from a brand to a platform. With Footwear and Kids now significant drivers, the risk of "polo shirt fatigue" is largely mitigated.
- * **Verdict on Thesis:** The thesis is **strengthening**. The business is successfully moving away from wholesale dependency (Online B2B/Wholesale collectively down as a share of mix) toward a higher-margin, direct-to-consumer model. The short-term working capital pain is an acceptable trade-off for the quality of revenue being generated.