

Arvind Fashions

29 January 2026

Strategic D2C pivot drives healthy growth with steady margin expansion

Arvind Fashions (ARVINDFA) reported healthy set of results in 3QFY26. Company reported better than expected revenue performance, in line margins and better than expected profitability.

Revenue/ channel wise performance: Revenue grew 14.5% YoY driven by direct channel performance. Retail LTL stood at 8.2%, aided by superior execution. Retail (46% of revenue) grew 11% YoY with strong LTL and better stock freshness. Online D2C business grew ~50% YoY. Online D2C now account for 17% of total revenue while Online B2B forms 11% of total revenue. Wholesale channel (27% of revenue) witnessed double digit growth in consumer sales. Adjacent categories witnessed 20%+ YoY growth.

Store additions: Gross addition of 43 EBOs, EBO count stands at 1,022 as of Dec'25. Net sq.ft addition of ~41k sq.ft; net sq.ft at ~13.07 lac.

Margins/ Profitability: Gross margin expanded 49 bps YoY to 55.4% through strong LTL & sourcing gains. EBITDA margin expanded 39 bps YoY to 14.2%. PBT grew 20% YoY to Rs 825 mn. PAT from continuing operations grew 37% YoY to Rs 654 mn. PAT post minority interest grew 97% YoY to Rs 549 mn.

Working Capital: NWC days remained stable; inventory turns at~3.7x.

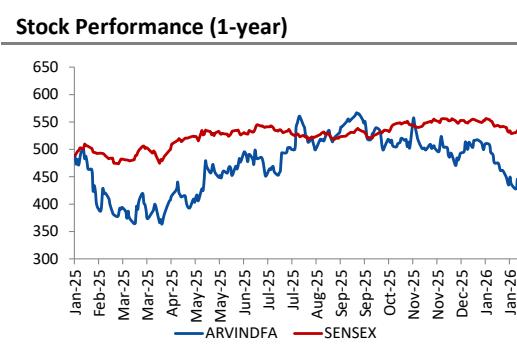
Arvind Fashions Ltd. (ARVINDFA) reported healthy topline and steady margin performance, reflecting the resilience of its business model. The company continues to strategically increase its focus on direct-to consumer (D2C) channels, which offer superior inventory control, enhanced cash conversion, and an improved customer experience. This strategic pivot has resulted in a growing share and accelerated growth of its retail channel. ARVINDFA has successfully built a robust platform of power brands supported by a more profitable and efficient retail store network, comprising larger and higher-quality outlets capable of showcasing a wider assortment of products. Despite prevailing near-term demand challenges, the company remains well-positioned to deliver growth driven by retail expansion across its five key brands and margin enhancements in Arrow and Flying Machine. Ongoing investments in product innovation and increased marketing spend have supported growth across core brands. Furthermore, improved operational rigor and an elevated in-store experience are contributing to higher sell-through rates and lower levels of discounting. We forecast revenue/, EBITDA/ PBT to grow at a CAGR of 13.3% / 17.4% / 32.5% respectively over FY25-28E. We maintain our BUY rating on the stock with a revised target price of Rs 651 (earlier Rs 643), valuing the company at 12x Dec'27 EV/EBITDA (on attributable EBITDA post share of JV partners/associates), which implies 10.1x on a reported EV/EBITDA basis for Mar'27.

RESULT UPDATE	
Sector: Retail	Rating: BUY
CMP: Rs 455	Target Price: Rs 651

Stock Info	
Sensex/Nifty	81,820 / 25,200
Bloomberg	ARVINDFA
Equity shares (mn)	134
52-wk High/Low	Rs 579 / 320
Face value	Rs 4
M-Cap	Rs.59.5bn/US\$0.65bn
3-m Avg Turnover	US\$ 1.5mn

Financial Snapshot (Rs mn)			
Y/E Mar	FY26E	FY27E	FY28E
Sales	52,253	59,365	67,175
Adj. PAT	1,470	2,271	3,139
Adj. EPS (Rs)	11.0	17.0	23.5
PE (x)	41.1	26.6	19.2
EV/EBITDA (x)	8.6	7.0	5.5
P/BV (x)	5.4	4.4	3.5
EV/Sales	1.1	1.0	0.8
RoE (%)	11.4	18.3	20.1
RoCE (%)	27.2	28.6	29.9
NWC (days)	52	53	53
Net gearing (x)	(0.0)	(0.2)	(0.4)

Shareholding Pattern (%)			
	Dec 25	Sept 25	Jun 25
Promoter	35.1	35.1	35.1
-Pledged	-	-	-
FII	12.1	11.9	9.4
DII	23.2	22.8	23.6
Others	29.6	30.1	31.9



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Conference call takeaways

Channel performance and digitization

- Direct-to-Consumer pivot: A central pillar of ARVINDFA's strategy is moving closer to the consumer. DTC channels now represent 63% of total sales, and management intends to push this to 75%. This shift allows the company to better control pricing, reduce discounting, and utilize consumer data for faster feedback loops in the value chain.
- Online B2C surge: The online B2C segment grew by nearly 50%, now accounting for 17% of total sales, while this high growth rate may eventually stabilize, management expects a steady 20-30% annual growth for the online channel in the future.
- Retail productivity: The company achieved a 8.2% like-for-like (LFL) growth across its retail channel. ARVINDFA added 41,000 sq.ft of space this quarter and is on track for a net addition of 1.5 lakh sq.ft for FY26.

Brand performance

- US Polo Assn. (USPA): This brand remains the portfolio's powerhouse, growing over 25% overall with an 11% LFL growth in 3Q. Success is attributed to product elevation and premiumization, which have resonated with consumers, alongside an 80%+ growth in online channels. USPA is expanding its footprint, aiming for 400+ stores and 60 new openings by year-end.
- Flying Machine (FM): Following the reacquisition of a 31.25% stake from Flipkart, FM is being repositioned as a Gen Z-focused, unisex youth fashion brand. It saw 17% LFL growth in stores and 40% growth in B2C online sales this quarter. A dedicated D2C platform, flyingmachine.com is slated for launch in FY27.
- Arrow: While the brand is now profitable, its growth was limited to early single digits this quarter. This was primarily due to supply chain disruptions in Bangladesh, which delayed key inventory and caused the brand to miss the early part of the wedding season.
- PVH Brands (Tommy Hilfiger & Calvin Klein): These brands faced a setback from consumers following a GST rate hike from 12% to 18%. Combined with geopolitical supply chain issues, this led to a temporary slowdown, though sales began to stabilize and show healthy growth starting mid-November.

Operational efficiency and margins

- Operating leverage levers: Management identified 3 levels of leverage - sourcing efficiencies gained through scale, LTL (like-for-like) productivity where revenue outpaces fixed store costs, and controlled corporate overheads that are not expected to grow as fast as revenue.
- Inventory strategy: ARVINDFA hit an all-time high in inventory freshness. However, they intentionally increased inventory levels to derisk against potential disruptions from the February elections in Bangladesh, which supplies ~15% of ARVINDFA's products.
- Investments in technology: The increase in employee costs was partly driven by strategic hiring in Data, AI, and consumer intelligence to drive consumer centricity. Other reasons for rise in employee costs were one-off welfare expenses and ESOP charges.

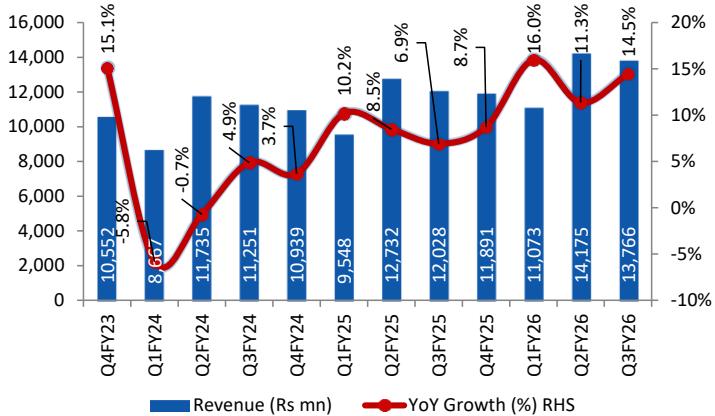
Outlook

- The company expressed confidence in maintaining a 12% to 15% growth trajectory.
- Management believes that the premiumization trend is robust and that external factors, such as government initiatives to increase disposable income, will further support consumer demand in the medium term.
- Adjacent categories like footwear (growing 20%+) and womenswear (growing 50%+) are viewed as significant future growth engines for the portfolio.

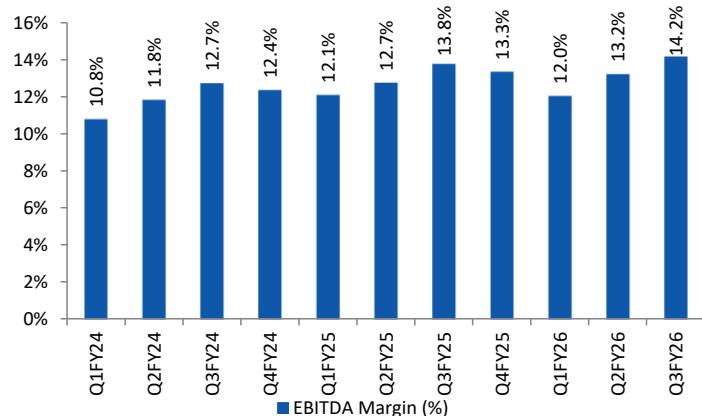
Exhibit 1: Quarterly performance

YE March (Rs mn)	Q3FY26	Q3FY25	Q2FY26	YoY (%)	QoQ (%)
Net Revenues	13,766	12,028	14,175	14.5%	-3%
RM Costs	(256)	139	(1,600)	-285%	-84%
Purchase of traded goods	6,390	5,280	8,334	21%	-23%
Gross Profit/Loss	7,632	6,609	7,441	15%	3%
Gross margin (%)	55.4%	55.0%	52.5%	49 bps	
Employee cost	819	665	856	23%	-4%
(% of sales)	6%	6%	6%		
Other operating expenses	4,865	4,290	4,712	13%	3%
(% of sales)	35.3%	35.7%	33.2%		
EBITDA	1,948	1,655	1,873	18%	4%
EBITDA margin (%)	14.2%	13.8%	13.2%	39 bps	
Other income	59	87	130	-32%	-55%
PBIT	2,007	1,742	2,003	15%	0%
Depreciation	748	654	713	14%	5%
Interest	434	403	416	8%	4%
PBT	825	686	874	20%	-6%
Tax	172	209	308	-18%	-44%
ETR (%)	21%	31%	35%		
PAT from continuing operations	654	476	566	37%	16%
PATAMI margin	4.8%	4.0%	4%	79 bps	
Minority interest	(105)	(199)	(189)		-44%
PAT post MI	549	278	377	97%	45%
Profit from discontinue ops	(3)	(11)	(3)		
Adjusted Consol. PAT	546	267	375	105%	46%
Extraordinary income/ exps	(290)	0	0		
Reported PAT	256	267	375	-4%	-32%
No. of shares (mn)	134	133	134		
Adj consol. EPS (Rs)	4.1	2.0	2.8	104%	46%

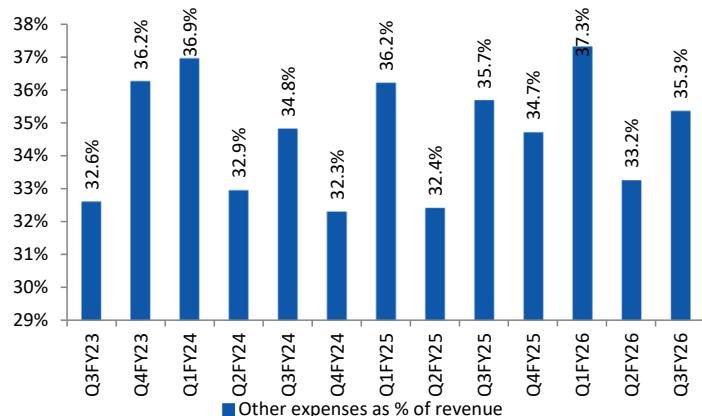
Source: Company, Systematix Institutional Research

Exhibit 2: Revenue growth of 14.5% led by retail LTL of 8.3%

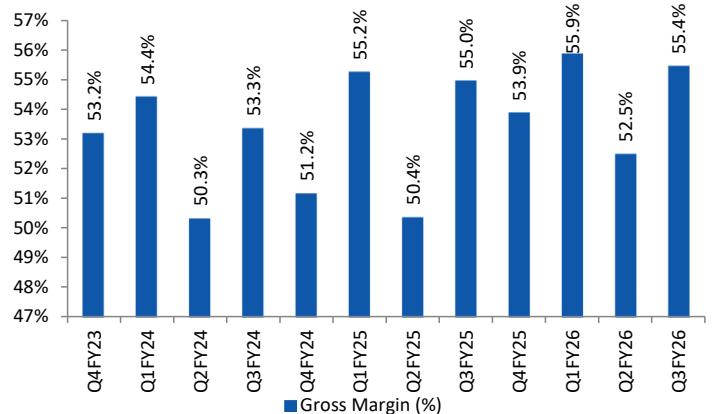
Source: Company, Systematix Research

Exhibit 4: EBITDA margin expanded by 40bps YoY, stood at 14.2%

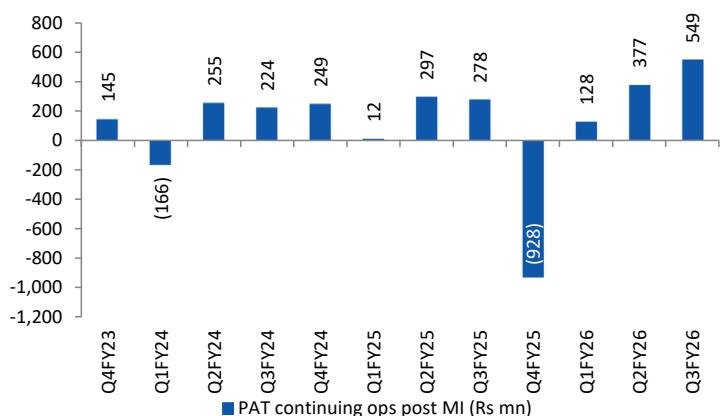
Source: Company, Systematix Research

Exhibit 6: Other expenses stood at 35.3% of sales

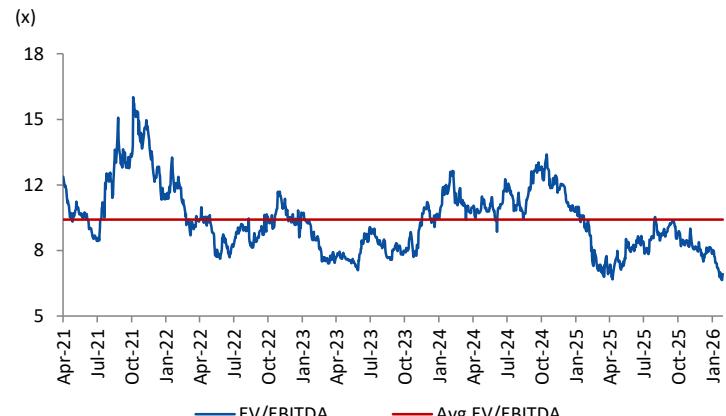
Source: Company, Systematix Research

Exhibit 3: Gross margin stood at 55.4%

Source: Company, Systematix Research

Exhibit 5: PAT (continuing operations post MI) stood at Rs 549mn

Source: Company, Systematix Research

Exhibit 7: Currently trades at 7.1x one-year forward EV/EBITDA

Source: Company, Systematix Research

FINANCIALS (CONSOLIDATED)

Profit & Loss Statement

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	42,591	46,198	52,253	59,365	67,175
Gross profit	22,220	24,703	28,216	32,354	36,879
GP margin (%)	52%	53.5%	54.0%	54.5%	54.9%
Operating profit	5,105	6,020	6,968	8,271	9,733
OP margin (%)	12.0%	13.0%	13.3%	13.9%	14.5%
Depreciation	2,301	2,557	2,916	3,375	3,674
EBIT	2,805	3,463	4,052	4,896	6,059
Interest expense	1,442	1,558	1,664	1,419	1,318
Other income	337	346	444	463	490
Profit before tax	1,700	2,251	2,832	3,940	5,232
Taxes	573	1,907	813	1,044	1,386
Tax rate (%)	33.7%	84.7%	28.7%	26.5%	26.5%
Minority/Associates	565	686	548	625	706
Adj. PAT	563	(342)	1,470	2,271	3,139
Exceptional loss & Discontinued operations	244	(14)	(290)	-	-
Net profit	806	(356)	1,180	2,271	3,139
Adj EPS	4.2	(2.6)	11.0	17.0	23.5

Source: Company, Systematix Research

Balance Sheet

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Equity capital	532	533	533	533	533
Reserves	9,501	9,038	10,553	13,236	16,868
Debt	4,661	3,896	3,396	2,896	2,396
Deferred tax liab (net)	(3,892)	(2,606)	(2,606)	(2,606)	(2,606)
Other non current liabilities	8,736	9,501	10,224	11,020	11,895
Total liabilities	19,538	20,362	22,101	25,079	29,086
Fixed Asset	2,749	3,191	3,193	3,253	3,180
Investments	-	-	-	-	-
Other Non-current Assets	11,704	12,065	10,773	10,643	10,447
Inventories	9,094	10,801	12,168	13,825	15,643
Sundry debtors	6,468	7,294	8,303	9,433	10,674
Cash & equivalents	1,680	1,647	3,757	5,774	9,058
Loans and Advances	484	496	545	600	660
Sundry creditors	9,363	11,720	13,027	14,638	16,564
Other current liabilities	3,277	3,412	3,612	3,812	4,012
Total Assets	19,540	20,362	22,101	25,079	29,086

Source: Company, Systematix Research

Cash Flow

YE: Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBIT	1,700	2,251	2,832	3,940	5,232
Depreciation	2,492	2,557	2,916	3,375	3,674
Tax paid	(627)	(433)	(813)	(1,044)	(1,386)
Working capital Δ	(31)	(613)	(818)	(941)	(922)
Other operating items	807	1,534	1,374	1,419	1,318
Operating cashflow	4,342	5,295	5,491	6,749	7,915
Capital expenditure	(823)	(958)	(1,200)	(1,200)	(1,200)
Free cash flow	3,519	4,337	4,291	5,549	6,715
Equity raised	23	53	-	-	-
Investments	-	-	-	-	-
Debt financing/disposal	410	467	-	-	-
Interest Paid	(779)	(773)	(1,664)	(1,419)	(1,318)
Dividends paid	(626)	(667)	(714)	(714)	(714)
Other items	(2,800)	(3,434)	182	(1,400)	(1,400)
Net Δ in cash	(252)	(17)	2,095	2,017	3,284

Source: Company, Systematix Research

Ratios

YE: Mar	FY24	FY25	FY26E	FY27E	FY28E
Revenue growth (%)	4.7	8.5	13.1	13.6	13.2
Op profit growth (%)	20.7	17.9	15.8	18.7	17.7
Adj Net profit growth (%)	-4.6	-160.7	-530.5	54.4	38.2
OPM (%)	12.0	13.0	13.3	13.9	14.5
Net profit margin (%)	1.3	-0.7	2.8	3.8	4.7
RoCE (%)	19.5	23.7	27.2	28.6	29.9
RoNW (%)	8.4	-3.6	11.4	18.3	20.1
EPS Adj (Rs)	4.2	-2.6	11.0	17.0	23.5
DPS (Rs)	1.3	1.6	1.6	1.6	1.6
BVPS (Rs)	75.5	71.8	83.2	103.3	130.5
Debtor days	55	58	58	58	58
Inventory days	78	85	85	85	85
Creditor days	80	93	91	90	90
P/E (x)	107.3	-177.6	41.2	26.7	19.3
P/B (x)	6.0	6.3	5.5	4.4	3.5
EV/EBITDA (x)	12.4	10.4	8.7	7.0	5.5

Source: Company, Systematix Research

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