2 April 2026
Company Update | Sector: Retail

Arvind Fashions

BSE SENSEX	S&P CNX
73,320	22,713

ARVIND FASHIONS

Bloomberg	ARVINDFA IN
Equity Shares (m)	134
M.Cap.(INRb)/(USDb)	58.9 / 0.6
52-Week Range (INR)	579 / 320
1, 6, 12 Rel. Per (%)	9/-8/16
12M Avg Val (INR M)	162
Free float (%)	64.9

Financials & Valuations (INR b)

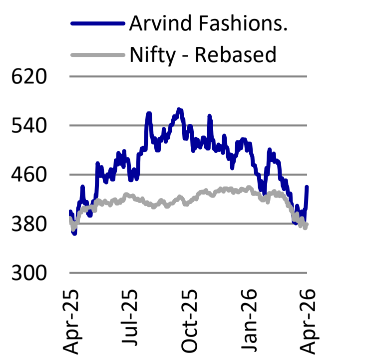
Y/E March	FY26E	FY27E	FY28E
Sales	52.5	59.2	66.0
EBITDA	7.0	8.4	9.4
Adj. PAT	1.0	1.7	2.1
EBITDA Margin (%)	13.3	14.2	14.3
Adj. EPS (INR)	7.3	12.6	15.6
EPS Gr. (%)	NM	72.1	23.9
BV/Sh. (INR)	94.8	103.0	115.3
Ratios			
Net D:E	0.1	0.0	-0.1
RoE (%)	8.1	12.8	14.3
RoCE (%)	21.9	26.0	27.7
Valuations			
P/E (x)	60.1	34.9	28.2
EV/EBITDA (x)	8.6	7.0	6.0
EV/Sales (X)	1.1	1.0	0.9

Shareholding Pattern (%)

As On	Dec-25	Sep-25	Dec-24
Promoter	35.1	35.1	35.2
DII	23.2	22.8	21.8
FII	12.1	12.0	10.0
Others	29.6	30.1	33.0

FII includes depository receipts

Stock Performance (1-year)



CMP: INR440 TP:INR650 (+48%) Buy

Fundamentals intact, correction creates opportunity

- **Arvind Fashions (AFL) is demonstrating a steady operating momentum, with its 9MFY26 performance—highlighted by a robust 8% same-store sales growth (SSSG)—underscoring the strength of its execution across retail, online, and brand portfolios, despite broader demand conditions remaining soft.**
- **Growth continues to be fueled by direct channels, with retail increasing 14% YoY and online rising 19% YoY, contributing to a more diversified channel mix.**
- **This, alongside a reduction in discounting and stable inventory turns (~4x), has aided gross margin expansion (up 115bp YoY) and improved cash conversion.**
- **Core brands remain resilient, while adjacencies – now accounting for over 20% of revenue – are scaling profitably, providing additional growth levers.**
- **Despite this, the stock is down ~20% on a 6M basis, with valuations now attractive at 35x FY27E earnings (vs. 37x for ABLBL). We believe this correction presents a compelling entry opportunity into a high-quality franchise featuring a strengthening direct channel, a visible adjacency growth runway, and improving earnings quality.**
- **We model a revenue/EBITDA CAGR of 12%/19% over FY26-28E. We reiterate our BUY rating with an SoTP-based TP of INR650.**

USPA inflection: Profit growth becoming visible

- **USPA** (within Lifestyle) is witnessing a sharp improvement in profitability, with 9MFY26 PAT at ~INR996m (vs. ~INR59m YoY), implying strong earnings growth and meaningful margin expansion.
- Growth is broad-based, driven by better sell-through, ~11% retail LTL, 25% growth across adjacencies (womenswear, kids, innerwear, footwear), and a strong scale-up in online B2C.
- Reported standalone weakness (revenue of +3% YoY; PAT loss at INR474m vs. INR49m profit YoY) is structural, reflecting the **transition of Arrow Retail out of Lifestyle and the cessation of intra-group sales.**.
- These losses are **not incremental** but represent a reclassification of existing losses, which were earlier absorbed within Lifestyle and are now visible in standalone financials due to the ongoing reorganization of the retail structure.
- On a combined basis (Standalone ex-dividend + Lifestyle), PAT jumped ~5x to INR522m vs. INR108m YoY, while PAT post-minority rose 75% YoY to INR1,054m. This increase clearly indicates that USPA is driving the improvement in the overall earnings trajectory.

Direct channel flywheel delivering results

- AFL's direct channel pivot is now visible in its execution, with retail sustaining ~8% LTL across 9MFY26 and online B2C delivering 30–50% growth, taking the direct mix to ~57% (vs. ~54% YoY), with a clear runway toward ~75%.

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- Improved mix has driven a healthy reduction in discounting and ~115bp YoY gross margin expansion, reflecting improved sell-through and tighter control over pricing and inventory.
- EBITDA margin expansion, however, remains measured (~30bp YoY in 9MFY26), as GM gains are being reinvested into higher A&P spending. This indicates a conscious strategy to strengthen brand salience while sustaining growth momentum.
- Inventory discipline remains the core enabler, with freshness at ~85%+, supporting a sharper assortment, reducing end-of-season dependency, and reinforcing a self-sustaining cycle of higher full-price sell-through and structurally better margin quality.

Adjacencies building a structurally accretive second revenue engine

- AFL's adjacent categories (footwear, innerwear, womenswear, kids) now contribute more than ~20% of revenue and are growing at ~20–25%, materially outpacing core apparel.
- **Footwear** (~INR3b) has reaccelerated to high-20% growth post-BIS normalization, targeting INR5b in the next few years, while **Innerwear** is tracking better growth supported by improved availability and a better channel mix.
- **Womenswear** (~50% YoY on a small base) and **kids** (25%) categories are scaling well within the USPA ecosystem, with distribution expanding from digital-first to offline, supporting category deepening.
- Adjacencies are rapidly emerging as a secondary revenue driver, scaling within existing EBOs and increasing sales density while retaining healthy profitability. This approach ensures accelerated growth without compromising the margin profile.

Valuation and view

- AFL is delivering steady operating momentum, with performance demonstrating strong execution across retail, online, and brand portfolios despite a subdued demand environment.
- Growth is increasingly fueled by direct channels, improving the mix and aiding margin expansion through better sell-through and tighter inventory control.
- USPA has emerged as the key earnings driver, demonstrating broad-based traction across channels and categories. Meanwhile, the reported standalone weakness is largely structural and does not reflect the underlying performance.
- Adjacent categories continue to scale profitably, adding a second growth engine without diluting margins and enhancing overall earnings quality.
- Despite this, the stock is down ~20% on 6M basis, with valuations now attractive at 35x FY27E earnings (vs. 37x for ABLBL). We believe this correction presents a compelling entry opportunity into a high-quality franchise featuring a strengthening direct channel, a visible adjacency growth runway, and improving earnings quality.
- **We model a revenue/EBITDA CAGR of 12%/19% over FY26-28E. We reiterate our BUY rating with an SoTP-based TP of INR650.**

Exhibit 1: Our SoTP-based TP stands at INR650

Valuation		FY26-28 CAGR		FY25	FY26	FY27	FY28	EV/	FY28E
	Ownership	Revenue	EBITDA	Pre-IND AS EBITDA				EBITDA	EV
Revenues									
Standalone (arrow Wholesale)	100	12%	NA	341	(70)	157	526	12	6,225
Lifestyle (USPA + Arrow)	100	13%	16%	1,277	2,010	2,291	2,694	20	53,316
Flying Machine	100	9%	NA	2	(225)	(74)	133	12	1,666
PVH (Tommy + CK)	50	11%	15%	2,122	1,988	2,284	2,625	18	23,318
CONSOL		**12%**	**20%**	**3,672**	**3,912**	**5,156**	**6,404**		**84,525**
Net Debt									-2,148
Equity Value									**86,673**
Per Share									**651**

Source: MOFSL, Company

Exhibit 2: Valuation after adjusting PVH's stake

Valuation	FY25	FY26	FY27	FY28
EBITDA	4,857	5,686	6,934	7,880
Pre-IND AS EBITDA	1,961	2,680	3,032	3,752
PAT	-356	977	1,680	2,082
EV/EBITDA	14.1	12.3	10.2	8.8
Pre-IND AS EV/EBITDA	31.0	22.4	19.3	15.1
P/E (after minority)	**-164.8**	**60.0**	**34.9**	**28.2**

Source: MOFSL, Company

USPA inflection: Profit growth in focus

- Based on our understanding, AFL is in the process of transitioning Arrow's retail business into a standalone entity, whereas the retail operations were historically housed under Arvind Lifestyle. This structural change explains the weak reported performance of the standalone entity, where 9MFY26 revenue grew by a modest 3% YoY due to the cessation of sales to Lifestyle, while **PAT losses (ex-dividend income) widened to INR474m vs. profit of INR49m YoY.**
- Importantly, these are not incremental operating losses. Losses that were previously absorbed within Lifestyle are now visible in the standalone entity due to the reorganization. Correspondingly**, Lifestyle's estimated PAT improved materially to ~INR996m in 9MFY26 vs. ~INR59m YoY.**
- To avoid distortion from the restructuring, we evaluate the performance on a combined basis (Standalone ex-dividend + Lifestyle). On this basis, **PAT increased to INR522m in 9MFY26 from INR108m in 9MFY25,** indicating a genuine improvement in underlying profitability, likely driven by USPA.
- This is further supported by minority interest trends (FM + PVH), which have remained broadly flat to marginally down, while standalone losses have mounted. Meanwhile, **PAT after minority interest increased 75% YoY to INR1,054m** (including a one-off INR290m due to the labor code). This divergence proves that USPA was the key earnings driver during 9MFY26.
- **At an estimated 9MFY26 PAT of ~INR996m for USPA (Lifestyle)**, this implies high-teens earnings growth and meaningful margin expansion.
- The current Bloomberg consensus factors in only ~80bp of margin expansion over FY25–28E vs our estimate of ~140bp, which does not fully reflect the strength in USPA (or implicitly assumes a sharp deterioration in PVH). We, therefore, see an upside risk to street expectations as USPA's performance becomes more visible.

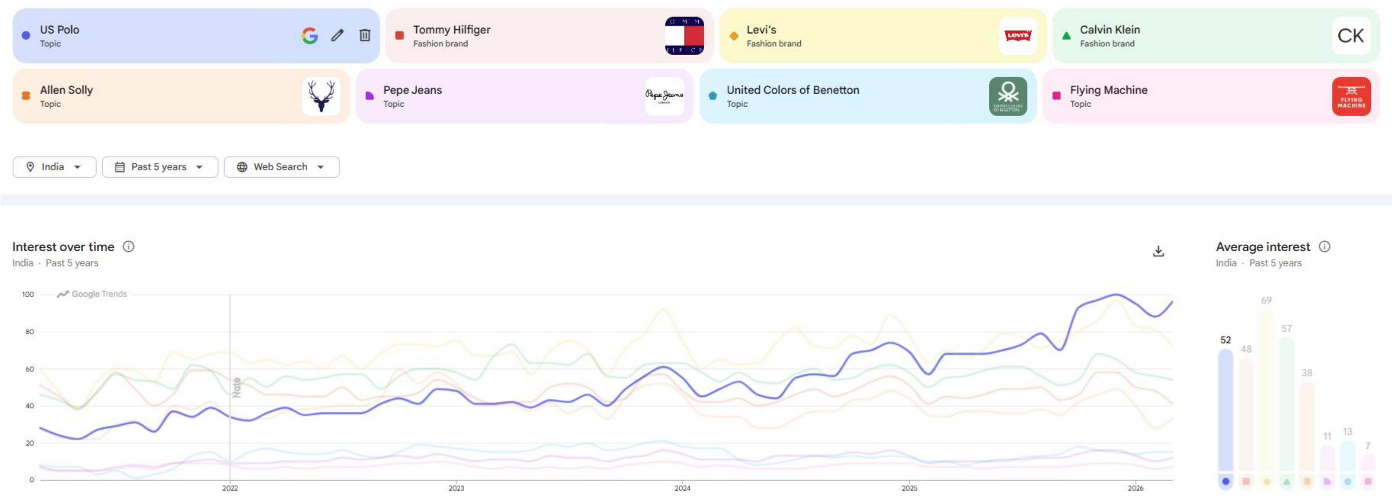
Exhibit 3: Calculated performance of Lifestyle (USPA)

(INR m)	FY23	FY24	FY25		9MFY23	9MFY24	9MFY25	9MFY26
Consol. PAT	1,093	1,066	1,391		626	664	1,066	1,181
Stand (ex-dividend)	99	(115)	378		123	(33)	49	(474)
PVH + FM (Minority Interest)	401	565	686		326	411	479	532
Attributable PAT	692	501	692		300	252	587	1,054
Lifestyle	179	253	173	(Calc)	(149)	(126)	59	996
Arrow+ USPA (Calc)	**278**	**138**	**550**		**(27)**	**(159)**	**108**	**522**

Source: Company, MOFSL

According to Google Trends, USPA's search index has scaled significantly over the last few years, marking a clear inflection in brand salience and leadership within the peer set. It has effectively closed the historical gap with Levi's and outpaced peers such as Tommy Hilfiger and Allen Solly. The brand-sustained strength during FY26TD aligns with high revenue growth, which indicates structurally improving consumer mindshare rather than cyclical spikes.

Exhibit 4: USPA's relative search dominance signals structural brand equity gains

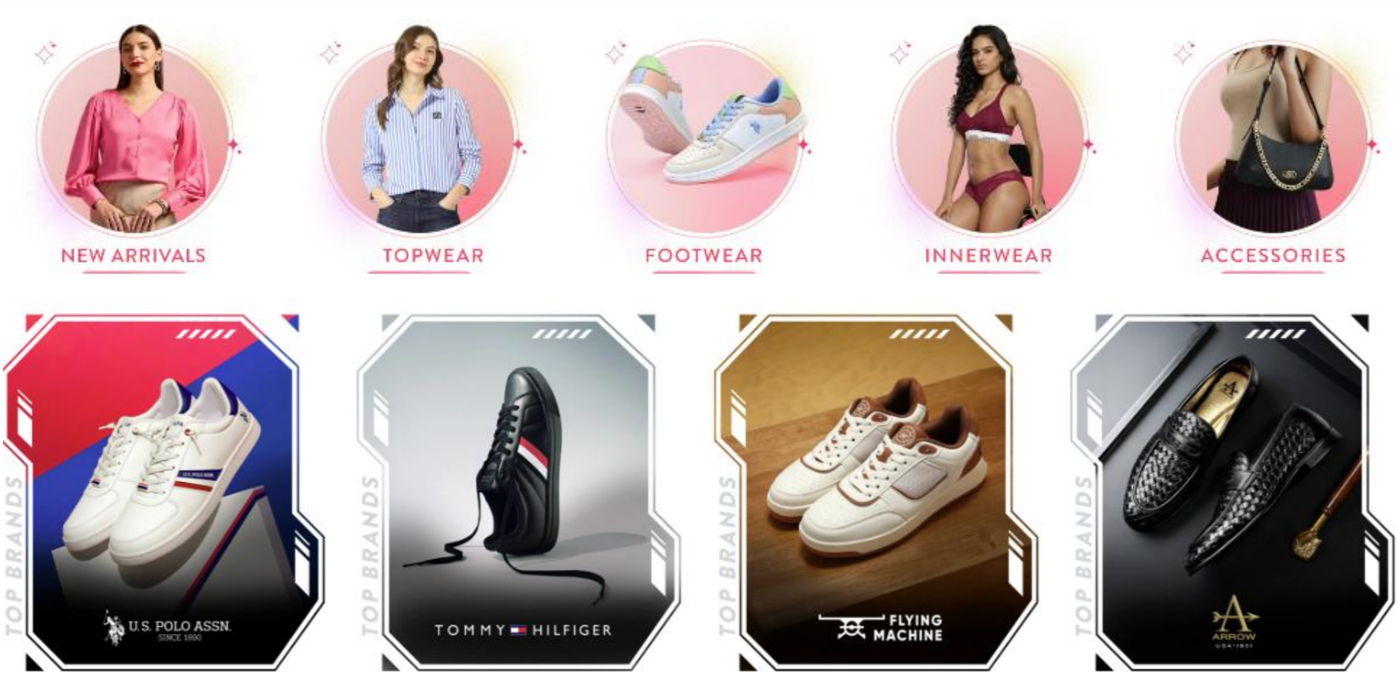


Source: Company, MOFSL

Adjacencies emerging as a meaningful earnings growth lever

Adjacencies (footwear, innerwear, womenswear, kids) now contribute ~20% of revenue (vs. ~15% in FY25) and are growing at 20–25%, about 2x core apparel growth, with all segments growing profitably. Footwear (~INR3b) has rebounded post-BIS disruption, sustaining 20%+ growth with a clear path to INR5b, supported by better inventory, **Stride** rollout, and strong online positioning. Innerwear is benefiting from a shift in distribution, improving both growth and margins, while womenswear (~50%, still nascent and recently piloted in Arrow) and kids (~25%) are scaling rapidly. Structurally, these categories leverage the existing EBO network with no incremental cost, enhancing throughput and margins, making them a durable growth and margin-accretive second engine.

Exhibit 5: Adjacencies, led by footwear, are fast evolving as the next leg of growth driver

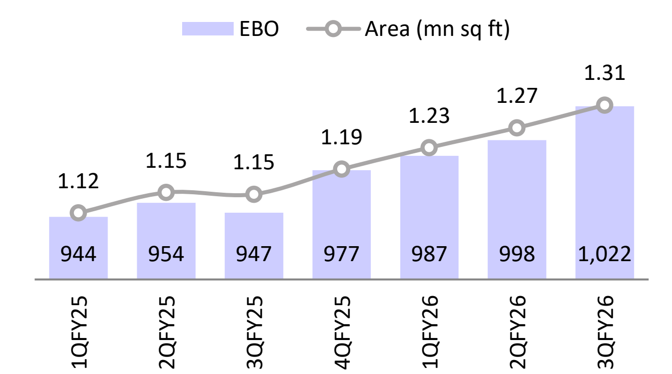


Source: MOFSL, Company

Direct channel flywheel supporting sustainable growth

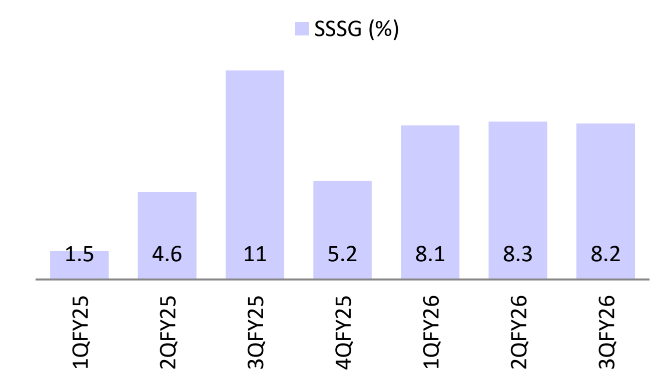
AFL's D2C strategy is now clearly reflected in operating metrics, with retail LTL sustaining ~8% across FY26 and online B2C growing 30–50%, increasing the direct mix to ~57% (vs ~54% YoY) with a runway toward ~75%. The mix shift is margin accretive, driving ~115bp gross margin expansion through tighter pricing control, lower discounting, and improved inventory freshness (85%+). EBITDA expansion (~30bp), however, remains subdued due to calibrated reinvestment into A&P to support brand salience and growth. As A&P intensity moderates and operating leverage builds on a higher direct base, profitability conversion is expected to improve, supporting stronger margin expansion over FY27–28E.

Exhibit 6: Added 9% area during 9MFY26…



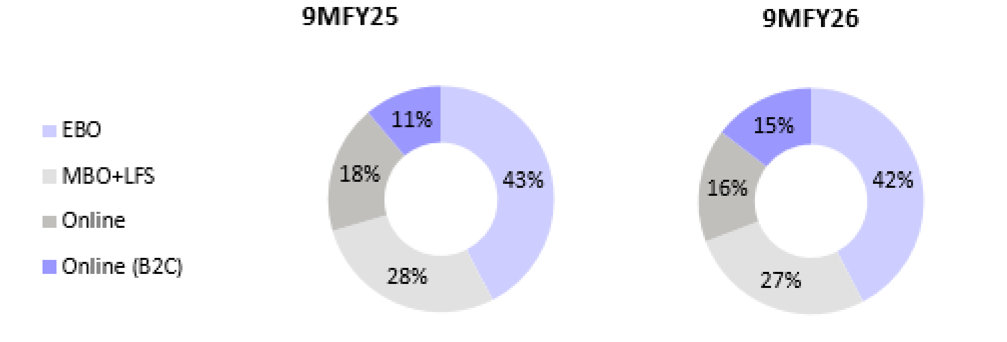
Source: Company, MOFSL

Exhibit 7: …while SSG remained strong



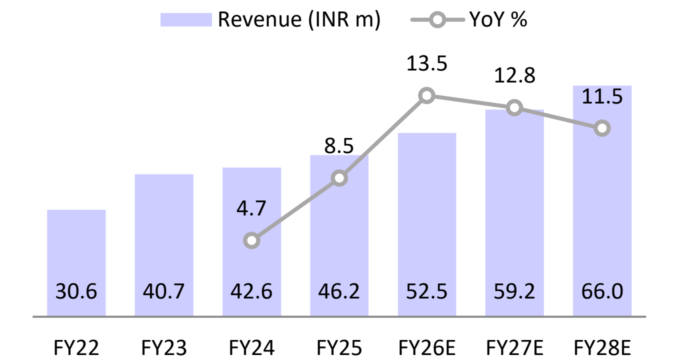
Source: Company, MOFSL

Exhibit 8: Channel mix changes, D2C gaining share



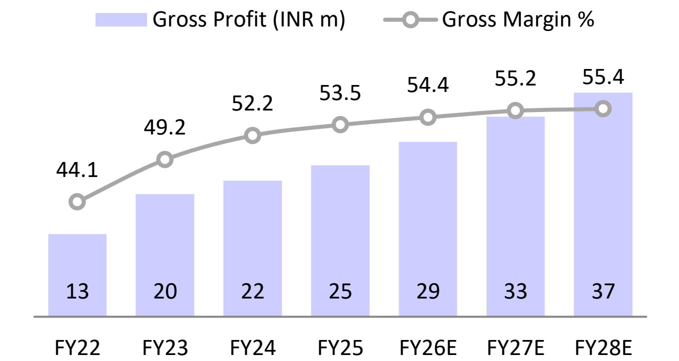
Source: MOFSL, Company

Exhibit 9: Expect revenue CAGR of ~12% over FY26-28



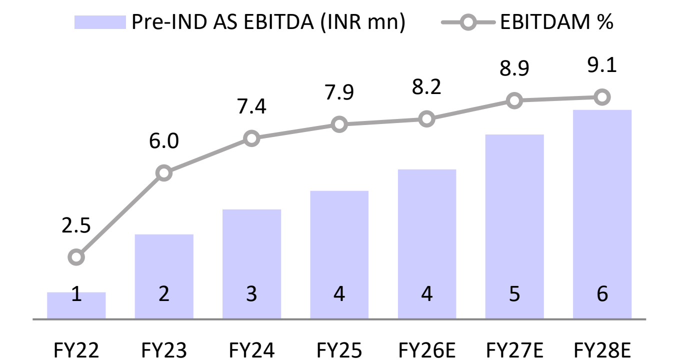
Source: MOFSL, Company

Exhibit 10: GM to expand ~100bp over FY26-28



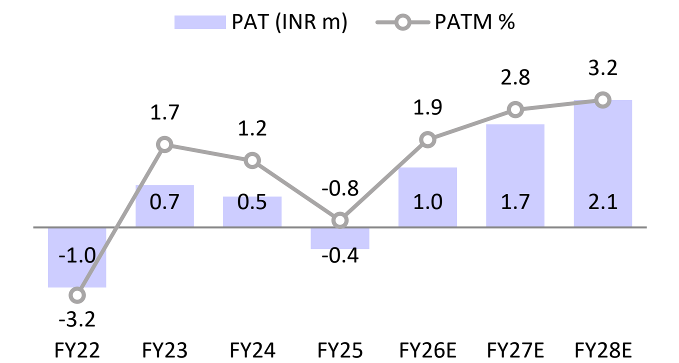
Source: MOFSL, Company

Exhibit 11: EBITDA to post an 18% CAGR



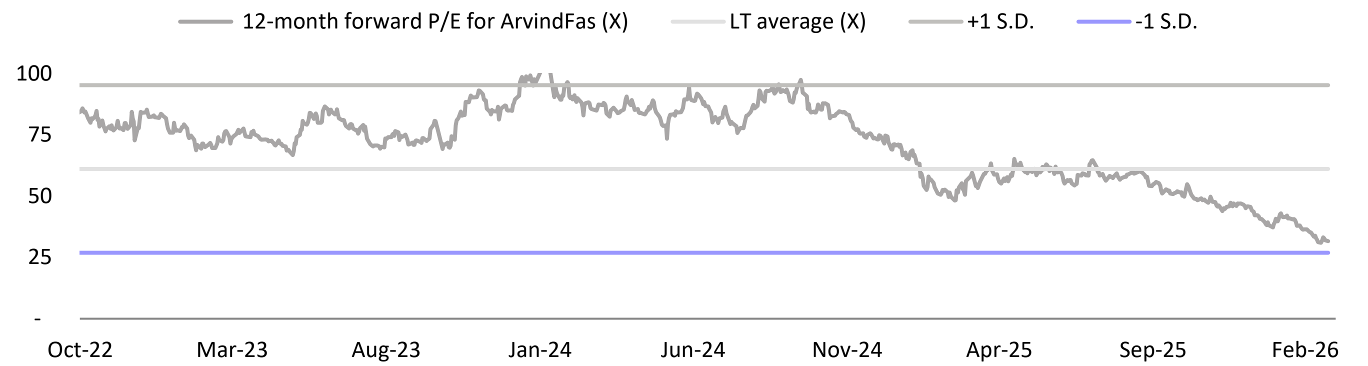
Source: MOFSL, Company

Exhibit 12: Healthy profitability ahead



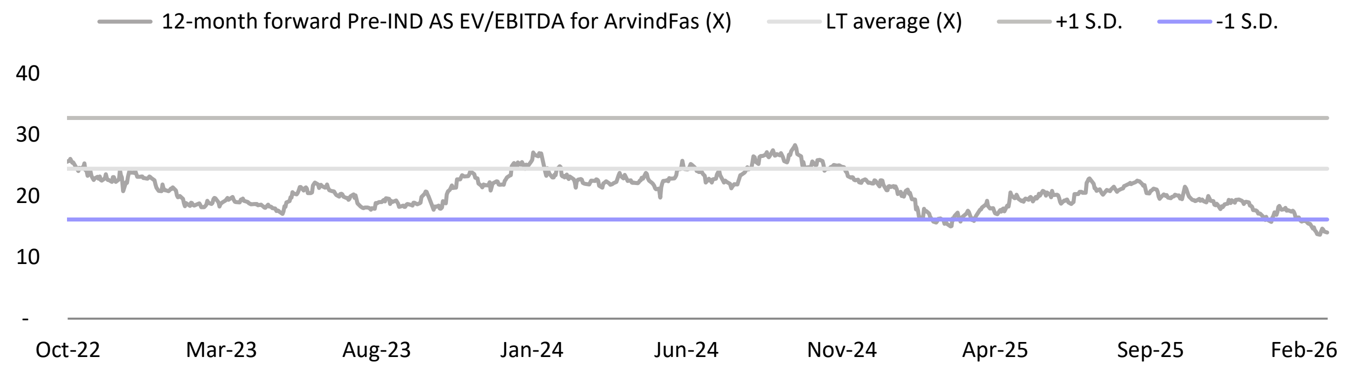
Source: MOFSL, Company

Exhibit 13: At CMP, AFL trades at ~35x one-year forward attributable PAT ~(-)1 S.D. below its historical range



Source: MOFSL, Company

Exhibit 14: At CMP, AFL trades at ~16x one-year forward attributable Pre-IND AS EV/EBITDA, (-)1 S.D. below its historical range



Source: MOFSL, Company

Financials and valuations

Consolidated - Income Statement

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Total Income from Operations	**19,119**	**30,560**	**40,695**	**42,591**	**46,198**	**52,451**	**59,159**	**65,974**
Change (%)	-47.1	59.8	33.2	4.7	8.5	13.5	12.8	11.5
Raw Materials	11,182	17,098	20,667	20,371	21,495	23,917	26,506	29,407
Gross Profit	**7,937**	**13,462**	**20,028**	**22,220**	**24,703**	**28,534**	**32,653**	**36,567**
Gross Margin (%)	41.5	44.1	49.2	52.2	53.5	54.4	55.2	55.4
Employees Cost	2,047	2,368	2,440	2,601	2,687	3,226	3,550	3,958
Other Expenses	5,906	9,293	13,358	14,514	15,997	18,316	20,724	23,175
Total Expenditure	**19,135**	**28,759**	**36,465**	**37,486**	**40,178**	**45,459**	**50,780**	**56,540**
% of Sales	100.1	94.1	89.6	88.0	87.0	86.7	85.8	85.7
EBITDA	**-16**	**1,802**	**4,230**	**5,105**	**6,020**	**6,992**	**8,380**	**9,433**
Margin (%)	-0.1	5.9	10.4	12.0	13.0	13.3	14.2	14.3
Pre-IND AS EBITDA	**-611**	**773**	**2,430**	**3,143**	**3,672**	**4,283**	**5,276**	**5,981**
Margin (%)	-3.2	2.5	6.0	7.4	7.9	8.2	8.9	9.1
Depreciation	2,378	2,330	2,031	2,301	2,557	3,047	3,454	3,882
EBIT	**-2,394**	**-528**	**2,199**	**2,805**	**3,463**	**3,945**	**4,925**	**5,551**
Int. and Finance Charges	1,803	1,239	1,210	1,442	1,558	1,682	1,650	1,792
Other Income	1,087	669	503	337	346	398	263	417
PBT bef. EO Exp.	**-3,110**	**-1,099**	**1,493**	**1,700**	**2,251**	**2,660**	**3,538**	**4,177**
EO Items/Share of Associates	-452	0	0	-62	-1,047	(290)	-	-
PBT after EO Exp.	**-3,562**	**-1,099**	**1,493**	**1,638**	**1,204**	**2,370**	**3,538**	**4,177**
Total Tax	419	-58	401	573	860	761	892	1,053
Tax Rate (%)	-11.8	5.3	26.8	34.9	71.4	32.1	25.2	25.2
Reported PAT	**-3,980**	**-1,041**	**1,093**	**1,066**	**344**	**1,609**	**2,647**	**3,124**
PAT (after Minority)	**-4,399**	**-983**	**692**	**501**	**-356**	**977**	**1,680**	**2,082**
Change (%)	55.7	-77.7	-170.4	-27.6	-171.0	-374.5	72.1	23.9
Margin (%)	-23.0	-3.2	1.7	1.2	-0.8	1.9	2.8	3.2

Consolidated – Balance sheet

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	424	530	531	532	533	533	533	533
Minority Interest	694	1,002	1,826	1,891	2,074	2,353	2,261	2,446
Total Reserves	4,796	6,973	8,565	9,501	9,038	9,722	10,898	12,355
Net Worth	**5,914**	**8,504**	**10,922**	**11,924**	**11,645**	**12,608**	**13,692**	**15,334**
Total Loans	9,034	4,607	5,569	4,463	3,896	3,211	3,602	4,044
Lease Liability	8,119	4,560	6,673	6,818	7,672	9,821	11,950	12,886
Other long-term Liabilities	2,304	2,535	1,376	1,480	1,417	1,417	1,417	1,417
Capital Employed	**25,370**	**20,207**	**24,540**	**24,684**	**24,629**	**27,056**	**30,660**	**33,681**
Gross Block	8,751	5,160	5,354	5,154	5,941	6,841	7,841	8,941
Less: Accum. Deprn.	**5,646**	**2,914**	**3,191**	**2,800**	**3,149**	**3,870**	**4,641**	**5,480**
Net Fixed Assets	**3,105**	**2,245**	**2,163**	**2,353**	**2,791**	**2,970**	**3,200**	**3,461**
Right to use Assets	**6,645**	**3,879**	**6,080**	**6,252**	**6,920**	**7,362**	**7,624**	**6,486**
Capital WIP	4	0	21	39	11	11	11	11
Total Investments	**6,699**	**6,145**	**5,686**	**5,553**	**4,076**	**4,076**	**4,076**	**4,076**
Curr. Assets, Loans&Adv.	**20,559**	**20,360**	**22,771**	**21,872**	**24,293**	**26,288**	**31,148**	**36,818**
Inventory	8,796	8,308	9,819	9,094	10,801	11,277	12,654	14,204
Account Receivables	6,553	5,717	5,595	6,468	7,294	7,904	8,914	9,941
Cash and Bank Balance	189	1,050	2,003	1,680	1,647	1,919	3,728	6,150
Loans and Advances	5,022	5,285	5,353	4,630	4,551	5,189	5,851	6,523
Curr. Liability & Prov.	**11,642**	**12,422**	**12,180**	**11,385**	**13,462**	**13,652**	**15,398**	**17,171**
Account Payables	9,598	10,479	10,195	9,363	11,720	11,496	12,966	14,460
Other Current Liabilities	2,044	1,943	1,985	2,022	1,743	2,156	2,431	2,711
Net Current Assets	**8,917**	**7,937**	**10,591**	**10,487**	**10,830**	**12,637**	**15,750**	**19,647**
Appl. of Funds	**25,370**	**20,207**	**24,540**	**24,684**	**24,629**	**27,057**	**30,661**	**33,681**

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)								
EPS	**-33.0**	**-7.4**	**5.2**	**3.8**	**-2.7**	**7.3**	**12.6**	**15.6**
Cash EPS	-19.0	10.2	20.5	21.1	16.6	30.3	38.6	44.8
BV/Share	55.8	64.2	82.2	89.7	87.6	94.8	103.0	115.3
DPS	0.0	0.0	1.0	1.3	1.6	2.2	3.8	4.7
Payout (%)	0.0	0.0	12.2	15.6	62.0	18.2	19.0	20.0
Valuation (x)							**37.0**	**-6%**
P/E	NM	NM	57.4	97.1	NM	60.1	34.9	28.2
Cash P/E	NM	21.4	14.5	17.3	30.0	14.5	11.4	9.8
P/BV	2.2	3.4	3.6	4.1	5.7	4.6	4.3	3.8
EV/Sales	1.1	1.1	1.1	1.2	1.5	1.1	1.0	0.9
EV/EBITDA	NM	18.0	10.2	10.1	11.4	8.6	7.0	6.0
Dividend Yield (%)	0.0	0.0	0.3	0.3	0.3	0.5	0.9	1.1
FCF per share	26.8	40.0	25.1	30.1	31.1	26.3	38.9	43.6
Return Ratios (%)								
RoE	-68.8	-13.6	7.1	4.4	-3.0	8.1	12.8	14.3
RoCE	-13.9	-0.7	13.3	16.7	17.8	21.9	26.0	27.7
RoIC	-7.5	-0.5	8.6	10.7	12.2	16.6	22.2	26.0
Working Capital Ratios								
Fixed Asset Turnover (x)	2.2	5.9	7.6	8.3	7.8	7.7	7.5	7.4
Asset Turnover (x)	0.8	1.5	1.7	1.7	1.9	1.9	1.9	2.0
Inventory (Days)	168	99	88	78	85	78	78	79
Debtor (Days)	125	68	50	55	58	55	55	55
Creditor (Days)	183	125	91	80	93	80	80	80
Leverage Ratio (x)								
Current Ratio	1.8	1.6	1.9	1.9	1.8	1.9	2.0	2.1
Interest Cover Ratio	-1.3	-0.4	1.8	1.9	2.2	2.3	3.0	3.1
Net Debt/Equity	1.5	0.4	0.3	0.2	0.2	0.1	0.0	-0.1

Consolidated - Cash Flow Statement

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	(3,562)	(1,099)	1,493	1,638	2,251	2,370	3,538	4,177
Depreciation	3,341	2,609	2,387	2,492	2,557	3,047	3,454	3,882
Interest & Finance Charges	2,357	1,369	1,384	1,519	1,558	1,682	1,650	1,792
Direct Taxes Paid	112	(118)	(433)	(627)	(433)	(761)	(892)	(1,053)
(Inc)/Dec in WC	1,078	2,435	(955)	(31)	(613)	(1,535)	(1,304)	(1,475)
CF from Operations	**3,326**	**5,197**	**3,876**	**4,992**	**5,320**	**4,804**	**6,447**	**7,323**
Others	(24)	(70)	(157)	(163)	(215)	(398)	(263)	(417)
CF from Operating incl EO	**3,302**	**5,127**	**3,719**	**4,829**	**5,105**	**4,406**	**6,184**	**6,906**
(Inc)/Dec in FA	(464)	166	(380)	(823)	(958)	(900)	(1,000)	(1,100)
Free Cash Flow	**2,838**	**5,293**	**3,339**	**4,006**	**4,147**	**3,506**	**5,184**	**5,806**
(Pur)/Sale of Investments	24	70	140	1,102	-	398	263	417
Others	-48	-321	-65	18	160	-	-	-
CF from Investments	**-488**	**-85**	**-305**	**297**	**-798**	**-502**	**-737**	**-683**
Issue of Shares	4,993	4,948	54	23	53	-	-	-
Inc/(Dec) in Debt	-2,990	-4,413	959	-1,316	-761	-685	391	442
Interest Paid	-3,211	-1,371	-1,438	-1,417	-1,566	-1,682	-1,650	-1,792
Dividend Paid	0	0	0	-133	-167	-293	-504	-625
Others	2,336	-1,256	-1,552	-2,070	-2,119	-972	-1,874	-1,828
CF from Fin. Activity	**1,128**	**-2,092**	**-1,977**	**-4,912**	**-4,560**	**-3,632**	**-3,637**	**-3,801**
Inc/Dec of Cash	**3,942**	**2,950**	**1,438**	**214**	**-253**	**271**	**1,810**	**2,422**

NOTES

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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