nuvama institutional equities

ARVIND

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	332
12 month price target (INR)	407
52 Week High/Low	450/272
Market cap (INR bn/USD bn)	87/1.0
Free float (%)	0.0
Avg. daily value traded (INR mn)	166.6

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	39.56%	39.58%	39.59%
FII	17.58%	18.71%	18.66%
DII	18.1%	18.1%	17.61%
Pledge	7.24%	7.24%	7.24%

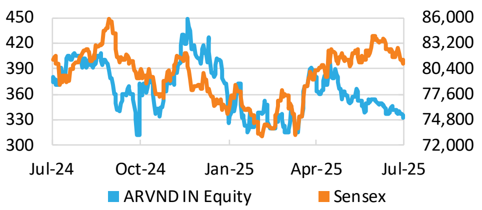
FINANCIALS (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	83,288	92,249	1,07,328	1,19,654
EBITDA	8,534	9,707	12,072	13,687
Adjusted profit	3,674	4,363	6,003	7,119
Diluted EPS (INR)	14.0	16.7	22.9	27.2
EPS growth (%)	4.1	18.8	37.6	18.6
RoAE (%)	10.0	10.9	13.3	13.7
P/E (x)	23.7	19.9	14.5	12.2
EV/EBITDA (x)	11.5	9.8	7.7	6.5
Dividend yield (%)	0	0	0	0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	92,249	1,07,328	-0.5%	-4.9%
EBITDA	9,707	12,072	+0.5%	-10.5%
Adjusted profit	4,363	6,003	+0.9%	-11.0%
Diluted EPS (INR)	16.7	22.9	+0.9%	-11.0%

PRICE PERFORMANCE



Near-term margin pressure

Arvind's Q1FY26 revenue grew 10% YoY off a favourable base to begin with and is backed by volumes. The company turned in strong growth in the garmenting segment, operating at full capacity. While the US tariff uncertainty still prevails, the company expects it to settle down by end of Q2. In the UK business, Arvind expects to double the current scale of INR2bn in a few years once the UK-India trade deal takes effect.

We are tweaking FY26E/27E revenue by -0.5%/-4.9% and EBITDA by +0.5%/-10.5% to factor in the slower ramp-up in the AMD segment. This along with a valuation rollover to Q1FY28E yields a revised TP of INR407 (earlier INR440); maintain 'BUY'.

Tariff uncertainty looms; India-UK trade deal augurs well

Textile revenue reported growth of +14% YoY/-5% QoQ to INR15.4bn. Despite this being a slow quarter for denim, volume growth was strong at 11% YoY and realisation too edged up 0.8% YoY. Meanwhile, garment volumes increased 5.4% YoY as the facility is operating at a peak capacity, and ASP increased to INR495 a piece (up 5.4% YoY). Woven sub-segment recorded volume growth of 7.8% YoY with realisation improving 7.3% YoY. Current order book continues to show healthy demand. The AMD segment revenue growth at 7% YoY is below expectation due to underperformance of the defence segment. The company expects these defence orders to pick up in Q3FY26E. Removing the defence mix, AMD would have achieved close to 20% top-line growth.

For the coming year, management has guided for healthy revenue growth with margins improving H2FY26E onwards. For the AMD segment, the company is focussed on revenue growth and not concerned about margins considering the business is likely to be a high-growth one.

Margins to remain soft in Q2FY26E; capex plan intact

EBITDA margin came in at 8.8% (+60bp) against 8.2% in Q1FY25 considering higher flow-through from gross margins. Absolute EBITDA jumped 18.3% YoY to INR1.77bn. EBITDA margin was impacted sequentially because of tariffs as well as expedited deliveries through air freight (negative impact of INR150mn), Excluding this, the AMD business margin would have been 15%. Net debt increased by INR181mn vis-à-vis March 25 due to temporary spike in working capital and came in at INR14.71bn. Capex for Q1FY26 was INR1bn, and management has guided for capex of INR4.5–4.75bn for FY26E, split equally across the garmenting, textile and AMD divisions.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	20,063	18,306	9.6	22,207	(9.7)
EBITDA	1,773	1,498	18.3	2,456	(27.8)
Adjusted Profit	532	393	35.4	1,510	(64.8)
Diluted EPS (INR)	2.0	1.5	35.3	5.8	(64.8)

Ashish Vanwari
AshishK.Vanwari@nuvama.com

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	83,288	92,249	1,07,328	1,19,654
Gross profit	43,658	45,940	53,449	59,588
Employee costs	10,563	11,514	12,550	13,680
Other expenses	24,561	24,720	28,827	32,221
EBITDA	8,534	9,707	12,072	13,687
Depreciation	2,587	2,722	2,761	2,900
Less: Interest expense	1,658	1,578	1,708	1,713
Add: Other income	652	502	521	558
Profit before tax	4,929	5,896	8,112	9,621
Prov for tax	1,255	1,533	2,109	2,501
Less: Other adj	0	0	0	0
Reported profit	3,674	4,363	6,003	7,119
Less: Excp.item (net)	0	0	0	0
Adjusted profit	3,674	4,363	6,003	7,119
Diluted shares o/s	262	262	262	262
Adjusted diluted EPS	14.0	16.7	22.9	27.2
DPS (INR)	0	0	0	0
Tax rate (%)	25.5	26.0	26.0	26.0

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	2,618	2,618	2,618	2,618
Reserves	35,243	39,605	45,608	52,727
Shareholders funds	37,861	42,224	48,226	55,346
Minority interest	853	853	853	853
Borrowings	13,760	13,725	14,234	14,272
Trade payables	16,552	18,911	22,002	24,529
Other liabs & prov	7,020	8,219	9,608	10,744
Total liabilities	80,321	88,246	99,303	1,10,177
Net block	33,963	35,741	37,481	39,081
Intangible assets	1,836	1,836	1,836	1,836
Capital WIP	4,074	4,074	4,074	4,074
Total fixed assets	39,873	41,651	43,391	44,991
Non current inv	1,960	1,960	1,960	1,960
Cash/cash equivalent	1,166	4,581	7,480	11,506
Sundry debtors	11,773	12,454	14,489	16,153
Loans & advances	15	15	15	15
Other assets	25,535	27,585	31,969	35,552
Total assets	80,321	88,246	99,303	1,10,177

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
EBITDA margin (%)	10.2	10.5	11.2	11.4
Net profit margin (%)	4.4	4.7	5.6	5.9
Revenue growth (% YoY)	7.6	10.8	16.3	11.5
EBITDA growth (% YoY)	1.0	13.7	24.4	13.4
Adj. profit growth (%)	4.2	18.8	37.6	18.6

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	3,674	4,363	6,003	7,119
Add: Depreciation	2,587	2,722	2,761	2,900
Interest (net of tax)	1,243	1,184	1,281	1,284
Others	(784)	1,438	2,028	2,384
Less: Changes in WC	1,881	865	(1,873)	(1,531)
Operating cash flow	7,629	9,039	8,090	9,655
Less: Capex	(4,829)	(4,500)	(4,500)	(4,500)
Free cash flow	2,800	4,539	3,590	5,155

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	5.8	5.8	5.8	5.8
Repo rate (%)	5.5	5.5	5.5	5.5
USD/INR (average)	85.0	85.0	85.0	85.0

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	10.0	10.9	13.3	13.7
RoCE (%)	12.9	13.7	16.4	17.0
Inventory days	190	175	169	172
Receivable days	49	48	46	47
Payable days	141	140	139	141
Working cap (% sales)	15.7	13.3	13.2	13.2
Gross debt/equity (x)	0.4	0.3	0.3	0.3
Net debt/equity (x)	0.3	0.2	0.1	0
Interest coverage (x)	3.6	4.4	5.5	6.3

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	23.7	19.9	14.5	12.2
Price/BV (x)	2.3	2.1	1.8	1.6
EV/EBITDA (x)	11.5	9.8	7.7	6.5
Dividend yield (%)	0	0	0	0

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	4.1	18.8	37.6	18.6
RoE (%)	10.0	10.9	13.3	13.7
EBITDA growth (%)	1.0	13.7	24.4	13.4
Payout ratio (%)	0	0	0	0

Source: Company and Nuvama estimates

Q1FY26 conference call takeaways

Q1FY26

- Comprehensive cost optimization program has shown positive effects.
- Vendor arrangements are re-negotiated to include flexibility and dynamism.
- Garmenting has delivered 9.8mn pieces; the highest quarterly output in last three years.
- Tariff saga continued for longer period than expected.
- Industrial fabrics continues to beat the expected levels.
- Temporary increase in working capital due to early payment for availing discount; this should come back to normal in a quarter or two.
- Denim has the best margins. Denims and Knits are growing faster in portfolio
- No concern of non-moving inventory in the system; higher inventory in the system is because of higher cotton stock-up, which should normalise by the end of Q2FY26 or the beginning of Q3FY26.
- 35% of total revenue from US.

AMD

- AMD's mass transport business secured a large order worth INR2bn to be executed in next few years for the Vande Bharat Programme of Indian Railways, which further builds on the product profile of the division.
- AMD is also expected to achieve volume growth in mid-teens in FY26.
- Margins were impacted due to tariff uncertainty, INR150mn direct tariff related cost and some additional indirect losses due to same issues (mainly due to air freight).
- Removing the defence mix, AMD has achieved close to 20% top-line growth.
- Most of defence business is India-based; there has been some change in way of managing inventory from consumer side, which led to a slowdown in business.
- 5–6% efficiency improvement to be done in factories for AMD.
- 20% capacity expansion by FY26 and another 20% by FY27.
- The company prioritises growth over margin in this high-growth phase.

Outlook

- Optimistic about achieving garment volume growth of 14–17% in the full year of FY26.
- Arvind currently does about INR2bn of business in the UK market and with the new trade enablers, it expects this to double over the next few years.
- Order book for Q2 is locked and looks healthy; also the order book for future quarters is robust.

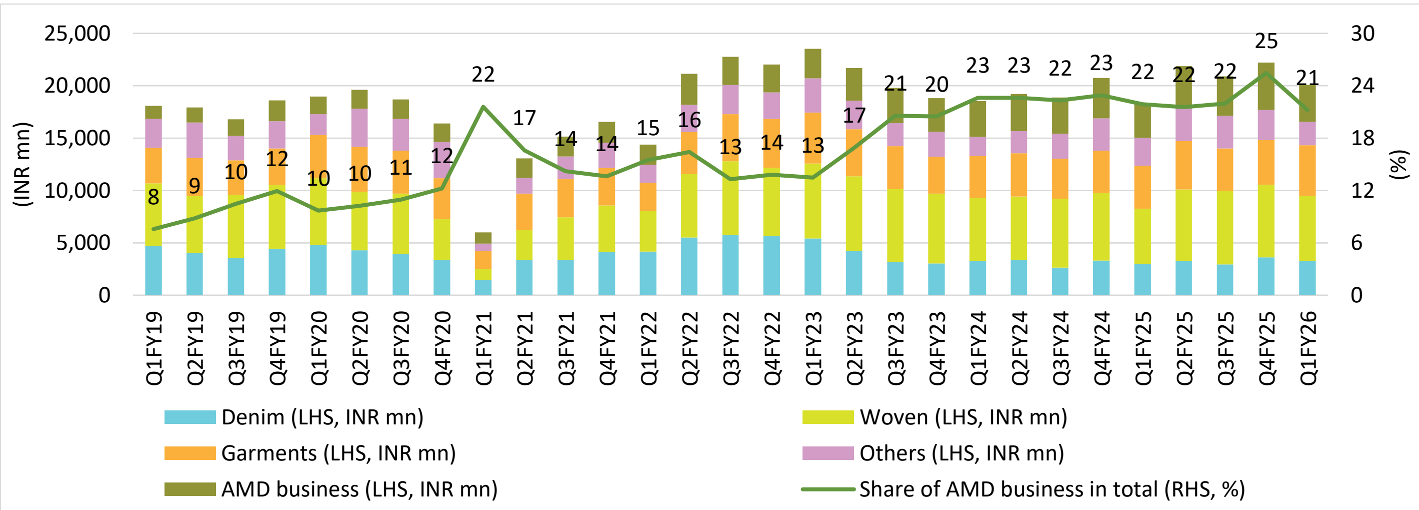
- Capex of INR1bn in Q1 and on track to spend INR4.5–4.7bn in FY26 largely directed towards enhancing capacity and capability across segments.
- Margin recovery expected in rest of year backed by volume commitments and operational efficiencies.
- The company expects new defence projects to come up, and is confident of achieving 10% revenue growth.
- Increased interest in sourcing from India, particularly in garments and full packet solutions.
- The company expects India to remain beneficial in the tariff deal with US.
- Margin overhang to continue in Q2FY26.
- The company sees a return to historical levels from Q3FY26.
- Increase in tariff will have to be passed on to consumer.

Exhibit 1: Segmental highlights

Segment highlights	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ
Revenue (INR mn)					
Textile	15,359	13,500	13.8	16,144	(4.9)
AMD	3,512	3,288	6.8	4,507	(22.1)
Others	1,497	1,715	(12.7)	2,014	(25.7)
EBITDA (INR mn)					
Textile	1,300	990	31.3	1,810	(28.2)
AMD	450	460	(2.2)	690	(34.8)
EBITDA Margins (%)					
Textile	8.5	7.3	113.1	11.2	(274.7)
AMD	12.8	14.0	(117.9)	15.3	(249.8)

Source: Company, Nuvama Research

Exhibit 2: Revenue trends by segment



Source: Company, Nuvama Research

Exhibit 3: Volume and realisation trends – Textiles segment

	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
DENIM													
Volumes (mn mts)	20	12.8	10.9	11.5	12.5	12.7	10.2	12.9	12.1	13.1	12	14.6	13
Reliasation (INR/metre)	271	294	287	261	251	254	251	245	244	243	240	245	246
Volume growth (%)	0%	-49%	-58%	-48%	-37.5%	-0.8%	-6.4%	12.2%	-3.2%	3.1%	17.6%	13.2%	7.4%
Realisation growth (%)	34.2%	37.4%	27.0%	5.2%	-7.4%	-13.6%	-12.5%	-6.1%	-2.8%	-4.3%	-4.4%	0.0%	0.8%
WOVEN													
Volumes (mn mts)	32	31.7	31.4	31.5	28.6	29.4	32.9	31.7	27	32.7	35	33.2	29.1
Reliasation (INR/metre)	215	219	216	209	207	202	197	200	193	201	197	206	207
Volume growth (%)	39%	2%	-10%	-2%	-10.6%	-7.3%	4.8%	0.6%	-5.6%	11.2%	6.4%	4.7%	7.8%
Realisation growth (%)	35.2%	24.4%	16.8%	4.5%	-3.7%	-7.8%	-8.8%	-4.3%	-6.8%	-0.5%	0.0%	3.0%	7.3%
GARMENT													
Volumes (mn mts)	10.0	8	8	6.6	7.4	7.6	7.7	9.4	9.3	9.2	9.3	9.5	9.8
Reliasation (INR/metre)*	485	563	511	530	538	542	497	428	441	501	433	448	495
Volume growth (%)	67%	-11%	-20%	-40%	-26.0%	-5.0%	-3.8%	42.4%	25.7%	21.1%	20.8%	1.1%	5.4%
Realisation growth (%)	8.6%	26.2%	13.9%	24.9%	10.9%	-3.6%	-2.7%	-19.4%	-18.0%	-7.6%	-12.9%	4.9%	12.3%

Source: Company, Nuvama Research

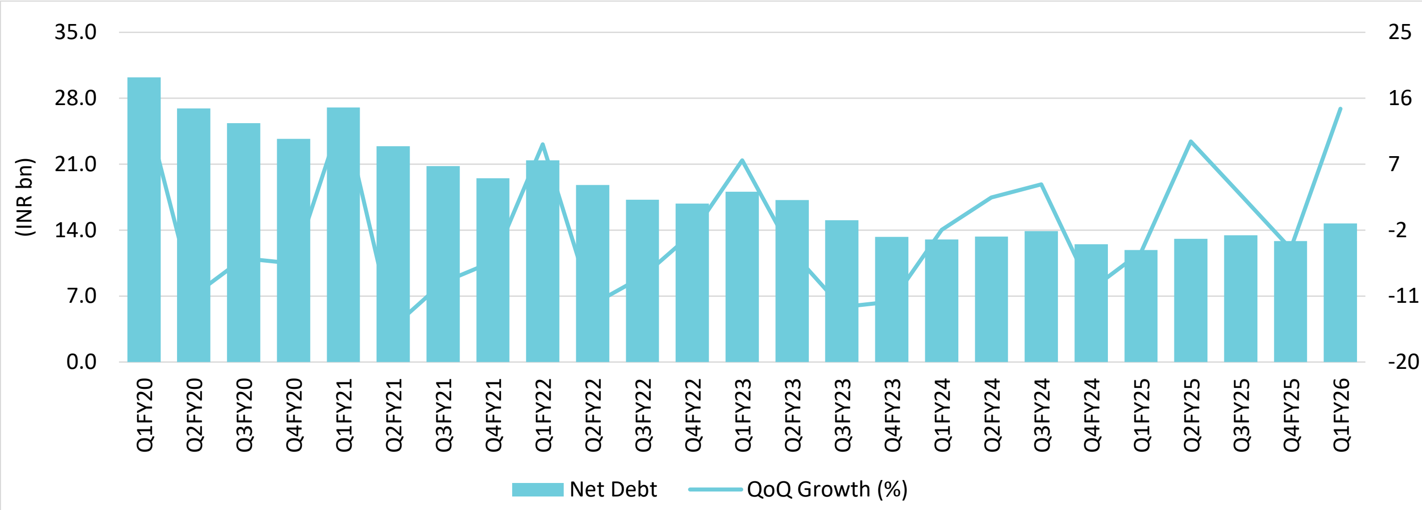
**: Calculated*

Exhibit 4: Breaking down the AMD segment

	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
Human Protection	1,800	1,840	1,940	2,160	1,700	1,970	2,040	2,630	1,880
Industrials	780	780	610	680	600	850	710	860	860
Composites	840	920	890	1,030	990	1,060	1,010	1,010	780
Total	3,420	3,540	3,440	3,870	3,290	3,880	3,760	4,500	3,520
YoY growth (%)									
Human Protection					-6%	7%	5%	22%	11%
Industrials					-23%	9%	16%	26%	43%
Composites					18%	15%	13%	-2%	-21%
Total									
EBITDA Margins	16%	16%	15%	16%	14%	15%	15%	15%	13%

Source: Company, Nuvama Research

Exhibit 5: Net debt trajectory



Source: Company, Nuvama Research

Exhibit 6: Valuation summary

Q1FY28 EBITDA	12,476
EV/EBITDA (x)	9.0
EV	**1,12,283**
Net Debt - Q1FY28	5,757
Equity value	**1,06,525**
NOSH (mn)	262
Equity value (INR/Share) - Jun'26	**407**
CMP	332
Upside (%)	**23%**

Source: Company, Nuvama Research

Exhibit 7: Quarterly summary

Year to March (INR mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)
Net revenues	20,063	18,306	9.6	22,207	(9.7)
Direct costs	9,442	8,795	7.4	10,580	(10.8)
Employee expenses	2,868	2,403	19.3	2,762	3.8
Other expenses	5,980	5,609	6.6	6,409	(6.7)
EBIDTA	1,773	1,498	18.3	2,456	(27.8)
Depreciation & Amortisation	690	685	0.8	691	(0.1)
EBIT	1,083	813	33.1	1,765	(38.7)
Less: Interest Expense	412	404	2.2	470	(12.3)
Add: Other income	89	129	(31.1)	298	(70.2)
Add: Exceptional items	-	-	NM	-	NM
Profit before Tax	760	539	40.9	1,594	(52.3)
Less: Provision for Tax	217	106	104.7	37	482.3
Add: Share of profit from associates	4	4		(10)	
Less: Minority Interest	15	44	(67.0)	36	(59.4)
Reported Profit after minority	532	393	35.4	1,510	(64.8)
Adjusted Profit	532	393	35.4	1,510	(64.8)
No. of Diluted shares outstanding (mn)	262	262	0.1	262	-
Adjusted Diluted EPS	2.0	1.5	35.3	5.8	(64.8)
As % of net revenue			Change bp		Change bp
Direct costs	47.1	48.0	(98.4)	47.6	(58.0)
Employee expenses	14.3	13.1	116.7	12.4	185.7
Other expenses	29.8	30.6	(83.5)	28.9	94.5
EBIDTA	8.8	8.2	65.2	11.1	(222.2)
Net profit	2.7	2.1	50.6	6.8	(414.8)
Tax rate	28.5	19.6	889.0	2.3	2,617.7

Source: Company, Nuvama Research

Company Description

Incorporated in 1931, Arvind Ltd, is the largest textile company in India and is a part of the Lalbhai group. Arvind was the pioneer in the denim space in India and entered the export market for Denims in 1987-88. Currently it is the leader in the denim manufacturing space and supplies to customers like GAP, Lee, Wrangler, Levi's etc. Apart from denim, the company has also emerged as a leading manufacturer in the woven space (with customers like Madura Garments, Marks & Spencers etc.) and is now enhancing its presence in the garmenting segment (which has customers like GAP, Tommy Hilfiger, Calvin Klein etc.).

Investment Theme

Mature textile business to provide base for growth: Arvind is the largest cotton textile manufacturer in India. With capacity of 108mn meters, it is one of the largest denim manufacturers globally. Similarly, it is the leader in the woven segment in India and is also scaling up garmenting capacities to forge an integrated business model. Along with calibrated capacity addition, the company is steadily focussing on value addition.

Key Risks

Raw materials, mainly cotton/cotton yarn, constitute ~45% of the company's overall cost base. Any significant increase in raw material prices (FY11 saw spike in cotton prices) can adversely impact Arvind's profitability

Additional Data

Management

MD & CEO	Sanjay S. Lalbhai
CFO	Jayesh Shah
Exec. Director	Punit Lalbhai
Exec. Director	Kulin Lalbhai
Auditor	Deloitte Haskins & Sells

Holdings – Top 10*

	% Holding		% Holding
Quant	5.66	JM Financial AM	1.50
IDFC MF	4.47	Mahindra Manulife	0.98
HDFC AMC	3.13	Blackrock	0.93
Vangurd group	2.29	Mirae Asset	0.61
ABSL AMC	1.52	Norges Bank	0.60

Latest public data

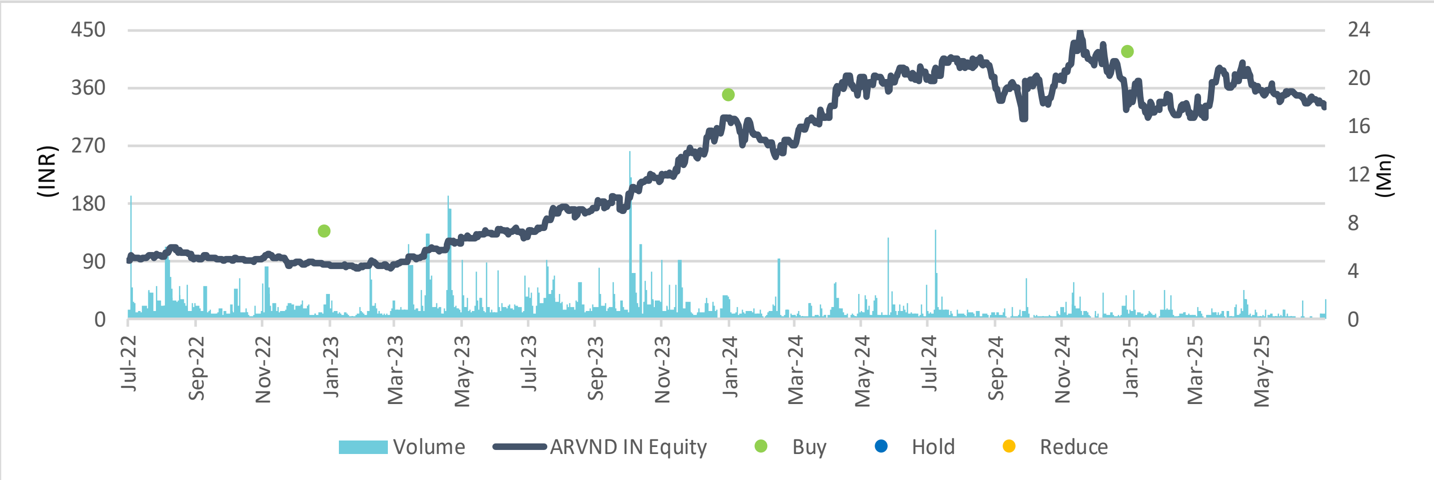
Recent Company Research

Date	Title	Price	Reco
16-May-25	AMD segment picks up; stable showing; *Result Update*	381	Buy
29-Jan-25	Volume-led growth; demand picks up; *Result Update*	394	Buy
29-Oct-24	Strong results, bright outlook; *Result Update*	360	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
29-May-25	Welspun Living	Soft showing continues; *Result Update*
30-Jan-25	Welspun Living	Growth soft; margins under pressure; *Result Update*
29-Oct-24	Welspun Living	Strong growth; margins soften; *Result Update*

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36

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Abneesh Roy
Head of Research Committee
Abneesh.Roy@nuvama.com

ABNEESH KUMAR ROY

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