

# INDIAN FASHION RETAIL INDUSTRY

**All eyes on H2 FY2026 for demand  
recovery as festive fever and GST  
sops spread cheer**

**September 2025**





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*Broader market sentiments remain muted with value fashion segment continuing to fare better than the urban segment. In view of this, retailers are resorting to cost control measures to protect their profit margins.*



- ICRA expects a demand recovery in the Indian fashion retail industry from H2 FY2026 onwards led by the festive season and benefits of GST rationalisation. ICRA forecasts retail entities in its sample set to report 13-14% revenue growth in FY2026, led by network expansion and improvement in demand conditions.



- ICRA's sample set of retail companies saw revenue growth of 15.6% in FY2025, led by an increase in stores network and expansion in non-apparel product categories. While same store sales growth (SSSG) improved for value retail owing to improved demand, it remained flat for the lifestyle segment. In Q1 FY2026, revenues grew by 12% YoY supported by higher number of wedding dates.



- Operating profit margin (OPM) expanded by 130 bps to 14.6% in FY2025 on account of cost optimisation measures such as rationalisation of advertising spends (-9%) and other overheads, in addition to controlled discounting levels. The cost control continued in H1 FY2026, however, marketing spends are expected to rise in H2 FY2026 on account of the festive season. ICRA expects its set of entities to report the OPM in the range of around 14.5-15.0% for FY2026.



- The premium segment experienced some recovery in demand in FY2025 with an expansion of 5.3% in average sales per square feet (ASPSF). That said, the underlying urban demand remained muted in Q1 FY2026. After two consecutive years of slowdown on account of inflationary pressures, the ASPSF in the value fashion segment grew at 7.2% in FY2025, surpassing pre-Covid levels in absolute terms. This ASPSF growth is expected to normalise in FY2026.



- Retailers in the urban segment have curtailed their store expansion plans for FY2026, amid macro uncertainty. Thus, the capex outlay is expected to moderate to around Rs. 2,500 crore in FY2026 for expansion in retail space of around 5.0 million square feet. This is 7% lower than ICRA's previous estimates.



- Debt protection metrics are likely to remain stable in FY2026 (vis-à-vis FY2025), despite the capex plans, given the revenue growth and range-bound OPM. **ICRA's outlook on the sector is Stable.**

Note: Aggregate of 10 listed fashion retailers accounting for around 25% of the organised sector revenues



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