April 09, 2025

Aditya Birla Fashion and Retail Limited: Ratings reaffirmed and removed from Rating Watch with Developing Implications; stable outlook assigned; rating withdrawn for bank loans, part commercial paper Programme and part Non-Convertible Debenture Programme

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long Term - Fund Based – Term Loan	10.00	0.0	[ICRA]AA+; reaffirmed and removed from Rating Watch with Developing Implications; Stable outlook Assigned and withdrawn
Long Term - Fund Based/Non-Fund Based	2490.00	0.0	[ICRA]AA+; reaffirmed and removed from Rating Watch with Developing Implications; Stable outlook Assigned and withdrawn
Commercial Paper Programme	1,500.00	-	[ICRA]A1+; reaffirmed and withdrawn
Commercial Paper Programme	500.00	500.00	[ICRA]A1+; reaffirmed
Non-Convertible Debenture (NCD) Programme	500.00	0.0	[ICRA]AA+; reaffirmed and removed from Rating Watch with Developing Implications; Stable outlook Assigned and withdrawn
Non-Convertible Debenture (NCD) Programme	750.00	750.00	[ICRA]AA+; reaffirmed and removed from Rating Watch with Developing Implications; Stable outlook Assigned
Non-Convertible Debenture (NCD) Programme	500.00	0.0	[ICRA]AA+; reaffirmed and removed from Rating Watch with Developing Implications; Stable outlook Assigned and withdrawn
Total	**6,250.00**	**1,250.00**	

**Instrument details are provided in Annexure I*

Rationale

The removal of the Rating Watch with Developing Implications and assignment of the Stable outlook on the long-term rating of Aditya Birla Fashion and Retail Limited (ABFRL) factor in the recent fund raising of Rs. 4,239.4 crore by the company, which has been used for repaying a large part of the demerged ABFRL, resulting in significant strengthening of its credit profile. ABFRL, through a press release dated April 01, 2024 had announced the demerger of its Madura Fashion & Lifestyle Business into a separate listed entity namely Aditya Birla Lifestyle Brands Limited (ABLBL). The demerged ABFRL would constitute residual segments including masstige and value segments (Pantaloons & Style Up), ethnic segment (including designer wear brands, ethnic menswear brand, TASVA and ethnic womenswear brands under TCNS Clothing Company Limited and TMRW, (ABFRL's direct-to-consumer digital venture).

In January 2025, ABFRL successfully completed fund raising of Rs. 4,239.4 crore, including Rs. 2,379 crore through the preferential issue and the balance Rs. 1,860 crore through qualified institutional placement (QIP). The preferential issue has been largely subscribed to by the promoter group, with investment of Rs. 1,298 crore. The balance Rs. 1,081 crore was subscribed to by the Fidelity Group. The proceeds from the same are being deployed towards repayment of the existing debt obligations of demerged ABFRL, which are expected to commence FY2026 with net cash surplus of Rs. 1,200-1,300 crore. ICRA understands that the same would be utilised for funding the growth of new segments, including Tasva (ethnic brand launched in March 2021), Style Up (value fashion brand launched in FY2023) and 'The Collective' (super premium store to be launched in FY2026), over the next two to three years. As indicated by the management, ABFRL will not be relying on any additional long-term debt to support its growth plans over the next two to three years.

ICRA notes that ABFRL has received approval from National Company Law Tribunal(NCLT) for the said demerger and the entire process is expected to be completed in another one to two months. The demerged ABFRL accounted for ~54% of ABFRL's (prior to demerger) consolidated revenues and 37% of its operating profits in 9M FY2025. The proforma revenue estimates for demerged ABFRL stood at ~Rs. 5,763 crore in 9M FY2025 against the consolidated revenues of Rs. 10,716 crore, and the operating profit margin (OPM) stood at 10% against the consolidated OPM of 15%, following continued investments in the ethnic segment (including TASVA and TCNS), Style Up and continued losses in TMRW.

The ratings continue to derive comfort from the company's strong position in the domestic branded apparel industry, supported by its diverse product portfolio with presence across various formats and segments and a wide distribution reach. The ratings further factor in ABFRL's superior financial flexibility as it is a part of the Aditya Birla Group (ABG) and the financial support available to it from the Group, evident from the regular fund raisings over the last two years, and ICRA's expectation that the Group would continue to provide need-based funding support to ABFRL. The company also receives operational support and benefits from the extensive experience of the management team of ABG, which facilitates superior execution capabilities.

The performance of the business segments in demerged ABFRL remained impacted in 9M FY2025 due to sluggish demand (especially in the value fashion and masstige segment), write-down of slow-moving inventories and investments undertaken to ramp up the operations of Tasva and Style up. ICRA also notes the continued demand headwinds faced by the retail industry due to inflationary pressure. The company has, however, undertaken various cost optimisation measures, controlled its inventory management and focused on premiumisation of its product portfolio to drive sequential improvement in its OPMs. Nonetheless, new segments continue to remain loss-making. While these initiatives are expected to continue in FY2026 as well, the ability of the company to profitably ramp up operations of the newly launched and acquired businesses would be key rating monitorable.

ICRA notes the intense competition in the fashion segment in which ABFRL operates, characterised by domestic as well as international brands along with a few established retail players. Besides, the business remains vulnerable to any economic slowdown.

The Stable outlook factors in ICRA's expectation that ABFRL's credit profile will remain adequately supported by the recent large fund raising of Rs.4,239 crore, which would limit its dependence on external debt to fund its growth expansion plans. This coupled with ramp-up in revenues from new segments and a steady scale-up in the Pantaloons segment will lead to a gradual improvement in the profit margin.

ICRA has withdrawn the rating assigned to the term loan, NCD and CP programme of the company as these have been duly repaid. ICRA has also withdrawn the rating assigned to fund-based/non-fund based bank facilities of ABFRL at the request of the company and based on no dues certificate and no objection certificates received from the banker.

Key rating drivers and their description

Credit strengths

Strong parentage of the Aditya Birla Group and extensive experience of the management – As a part of the ABG, ABFRL enjoys strong financial flexibility and receives need-based funding and operational support. The same was demonstrated by fund raisings in the past. In January 2025, ABFRL successfully completed fund raising of Rs. 4,239.4 crore, including Rs. 2,379 crore through preferential issue and the balance Rs.1,860 crore through qualified institutional placement (QIP). The preferential issue has been largely subscribed to by the promoter group, with investment of Rs. 1,298 crore and the balance Rs. 1,081 crore was subscribed to by the Fidelity Group. Besides, extensive experience of the management team facilitates superior execution capabilities, driving revenues and profitability growth.

One of the largest branded apparel players in India with a diverse product portfolio and extensive multi-channel reach– ABFRL is among the largest branded apparel players in India, with a diverse product portfolio and brand offerings across various price points from value to luxury segments. The demerged ABFRL constitutes the Pantaloons division, which is one of the leading players in the value and masstige fashion segment and is among the largest womenswear retailers in India. As of December 31, 2024, the company operated 412 Pantaloons stores. ABFRL also houses the most comprehensive ethnic wear portfolio, covering multiple occasions, price points and consumer segments, including designer wear portfolio. While the luxury and the bridge-to-luxury segments are being largely catered through acquisitions done over the last three years, namely Shantanu & Nikhil, Sabyasachi, House of Masaba and Tarun Tahiliani, the premium segment is catered through a mix of inorganic (Jaypore, TCNS Clothing Limited [includes brands W, Aurelia, Wishful and Elleven]) and organic ethnic menswear brand of TASVA. It has also ventured into the super-premium segment via luxury brands housed under "The Collective" with select luxury brands such as Ted Baker (London), Fred Perry, Polo Ralph Lauren and Hackett (London). The company is also opening luxury store of Galleries Lafayette in H2 FY2026. Moreover, ABFRL has set up a wholly-owned subsidiary, TMRW, for incubating a portfolio of fashion and lifestyle D2C brands across categories such as beauty, fashion and other allied lifestyle segments.

Strengthening of financial profile post the fund raise of Rs. 4,239.6 crore – In January 2025, the company successfully raised Rs. 1,860.66 crore through QIP and Rs. 2,379.0 crore through preferential issue with the total amounting to Rs.4,239.6 crore. The preferential issue has been subscribed by Pilani Investment and Industries Corporation Ltd., a part of the promoter Group aggregating worth Rs. 1,298 crore with Rs. 1,081 crore subscribed by the Fidelity Group. The promoters have subscribed 31% of the same. This is largely being utilised to prepay the debt, leading to strengthening of the balance sheet. The demerged ABFRL is expected to commence FY2026 with net cash balance of Rs. 1,200-1,300 crore, which is planned to be utilised in the next three to four years for expansion and funding of investments in ethnic (specially Tasva), Style Up segments and opening luxury store of Galleries Lafayette.

Credit challenges

Demand headwinds impacting revenues and profits – The financial profile of ABFRL in 9M FY2025 was impacted due to sluggish demand (especially in the value fashion) due to inflationary pressures, write-down of slow-moving inventories (especially in TCNS Clothing Company Limited), and investments undertaken to ramp up the operations of Tasva and Style up. The demerged ABFRL accounted for ~54% (amounting to ~Rs. 5,763 crore) of ABFRL's consolidated revenues (Rs. 10,716 crore) and 37% of the operating profits in 9M FY2025 with an operating profit margin (OPM) of 10% against the consolidated OPM of 15%, following continued investments in the ethnic segment.

Continued operating losses in TASVA and TCNS in ethnic segment along with initial stage losses in Style-up – ABFRL's margin expansion is restricted by the continued losses in the recently acquired ethnic businesses, i.e., TCNS and the recently launched TASVA brand as well initial losses in Style up. While TCNS is expected to break even in FY2026, Tasva is likely to continue to incur losses for the next two years. The overall profitability of the company is also impacted by losses in Style up, which is in the initial stage of operations. The company's ability to profitably ramp up operations of the newly launched and acquired businesses would be key rating monitorable. TMRW also remains loss making, though the management has indicated that it will not be providing any further funding support to this segment.

Intensely competitive nature of fashion business; revenues and profitability also remain vulnerable to economic slowdown – The fashion segment, in which the company operates, is very competitive, marked by the presence of domestic and international brands as well as established retail players. Besides, the business remains vulnerable to economic slowdown on account of the discretionary nature of consumer spending on these products.

Environmental and social risks

Environmental considerations: ABFRL has low exposure to environmental risks. The sector does not face any major physical climate risk. The company, being a part of ABG, follows policy which focuses on areas such as energy, carbon, waste and water management along with sustainable products and packaging.

Social considerations: Increasing usage of customer data following growing penetration of e-commerce poses data privacy and legal risks for retail entities. The company ensures that employees handling sensitive and critical data are covered with all information security and data leakage prevention controls to mitigate IT risks. Being a manpower intensive segment, entities like ABFRL are exposed to the risks of business disruption due to inability to properly manage human capital in terms of their safety and overall well-being. Besides, human rights issue could pose social risks for the company. As a retailer, the company is also subject to other social factors such as responsible sourcing, product, and supply chain sustainability, given the high reliance on external suppliers. The company continues to emphasise on social and environmental sustainability across its value chain.

Liquidity position: Adequate

The liquidity position of the company remains adequate. In January 2025, the company successfully raised Rs. 1,860.66 crore through QIP and Rs. 2,379.0 crore through preferential issue, with the total amounting to Rs. 4,239.6 crore, which was largely utilised to prepay the debt (NCD as well as term loan). Thus the demerged ABFRL is expected to commence next financial year with net cash balance of Rs. 1,200-1,300 crore, which will be utilised in the next 3-4 years for its store expansions and investments in the new segments including ethnic, Style Up and luxury store under Galleries Lafayette. ICRA also draws comfort from the demonstrated track record of the company in timely refinancing its debt obligations as well as in its strong parentage, which lends superior financial flexibility.

Rating sensitivities

Positive factors – The long-term rating may be upgraded if the company is able to significantly improve its return metrics along with a notable growth in revenues and OPM on a sustained basis while maintaining a healthy credit profile.

Negative factors – The ratings may be downgraded in case of a sharp decline in sales/ profitability or if any significant debt-funded capex or large acquisition/ investment adversely impacts its credit metrics and/or the liquidity position on a sustained basis. Any weakening of linkages with the Aditya Birla Group would also be a negative factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Retail Corporate Credit Rating Methodology Policy on Withdrawal of Credit Ratings
Parent/Group support	Parent Group - Aditya Birla Group; ICRA expects the Aditya Birla Group to be willing to extend need-based financial support to ABFRL. The Group has a track record of extending timely financial support to ABFRL, whenever a need has arisen.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of demerged ABFRL. As on December 31, 2024, the demerged ABFRL had 18 subsidiaries (including step-down subsidiaries) and one joint venture (JV) that have been enlisted in Annexure-2.

About the company

ABFRL houses the branded apparel business of the Aditya Birla Group. ABFRL, via a press release dated April 1, 2024, had announced the demerger of its Madura Fashion & Lifestyle Business (Madura) into a separate listed entity, namely ABLBL. The demerged ABFRL would constitute residual segments including masstige and value segments (Pantaloons & Style Up), ethnic segment (including designer wear brands, ethnic menswear brand, TASVA, and ethnic womenswear brands under TCNS Clothing Company Limited and TMRW [ABFRL's direct-to-consumer digital venture].

The Pantaloons format operates in the masstige segment across varied categories like casual wear, ethnic wear, formal wear, party wear and sportswear for men, women and children. The company has forayed into the premium and the luxury ethnic wear segment during the last three years. The journey of the premium segment began with Jaypore in 2019, which is an artisanal brand, and the subsequent addition of Shantanu & Nikhil. In FY2021, the company expanded its luxury play with addition of Sabyasachi and Tarun Tahiliani to its portfolio of designer partnerships. In June 2022, it acquired a 52.44% stake in the House of Masaba Lifestyle Private Limited. Subsequently, in September 2023, it completed acquisition of a 51% stake in TCNS Clothing Company Limited at a total cost of Rs. 1,626 crore.

Moreover, ABFRL has set up a wholly-owned subsidiary, TMRW, for incubating a portfolio of fashion and lifestyle D2C brands across categories such as beauty, fashion and other allied lifestyle segments. Subsequently, in November 2022, the company announced partnership with eight D2C lifestyle brands.

Madura is the largest branded men's wear player in India. It has three segments—Lifestyle Brands, Fast Fashion and Other Businesses. The Lifestyle Brands segment, which is the main business of Madura, houses India's leading premium apparel brands like Louis Philippe, Van Heusen, Allen Solly and Peter England. The Fast Fashion segment comprises Forever 21 (which was acquired in July 2016) and American Eagle brands. The Madura division also includes other fashion formats like The Collective, other mono brands, Van Heusen's range of innerwear and athleisure and the Reebok business.

The demerger will enable the creation of two separately listed companies as independent growth engines with distinct capital structures and parallel value creation opportunities and all the shareholders of ABFRL will have identical shareholding in ABLBL.

Key financial indicators (audited)

Demerged ABFRL (consolidated)	FY2024	9MFY2025
Operating income	6,518.0	5,763
OPBDITA	460.0	590
OPBDITA/OI	7.1%	10.2%
Debt excluding lease liabilities	-	3,623

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2026)				Chronology of rating history for the past 3 years					
			FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Term Loan	Long term	10.0	April 09, 2025	[ICRA]AA+ (Stable); withdrawn	April 12, 2024	[ICRA]AA+; rating watch with developing implications	Apr 26, 2023	[ICRA]AA+ (Stable)	Jul 21, 2022	[ICRA]AA (Positive)
					Sept 03, 2024	[ICRA]AA+; rating watch with developing implications	Jul 31, 2023	[ICRA]AA+ (Stable)	Mar 02, 2023	[ICRA]AA+ (Stable)
							Oct 26, 2023	[ICRA]AA+ (Stable)		

Fund Based/Non-Fund Based	Long term	2490.0	April 09, 2025	[ICRA]AA+ (Stable); withdrawn	April 12, 2024	[ICRA]AA+; rating watch with developing implications	Apr 26, 2023	[ICRA]AA+ (Stable)	Jul 21, 2022	[ICRA]AA (Positive)
					Sept 03, 2024	[ICRA]AA+; rating watch with developing implications	Jul 31, 2023	[ICRA]AA+ (Stable)	Mar 02, 2023	[ICRA]AA+ (Stable)
							Oct 26, 2023	[ICRA]AA+ (Stable)		
Commercial Paper	Short term	500.00	April 09, 2025	[ICRA]A1+	April 12, 2024	[ICRA]A1+	Apr 26, 2023	[ICRA]A1+	Jul 21, 2022	[ICRA]A1+
					Sept 03, 2024	[ICRA]A1+	Jul 31, 2023	[ICRA]A1+	Mar 02, 2023	[ICRA]A1+
							Oct 26, 2023	[ICRA]A1+		
Commercial Paper	Short term	1500.00	April 09, 2025	[ICRA]A1+; withdrawn	April 12, 2024	[ICRA]A1+	Apr 26, 2023	[ICRA]A1+	Jul 21, 2022	[ICRA]A1+
					Sept 03, 2024	[ICRA]A1+	Jul 31, 2023	[ICRA]A1+	Mar 02, 2023	[ICRA]A1+
							Oct 26, 2023	[ICRA]A1+		
Non-Convertible Debenture (NCD) Programme	Long term	500.0	April 09, 2025	[ICRA]AA+ (Stable); withdrawn	April 12, 2024	[ICRA]AA+; rating watch with developing implications	Apr 26, 2023	[ICRA]AA+ (Stable)	-	-
					Sept 03, 2024	[ICRA]AA+; rating watch with developing implications	Jul 31, 2023	[ICRA]AA+ (Stable)	-	-
							Oct 26, 2023	[ICRA]AA+ (Stable)	-	-
Non-Convertible Debenture (NCD) Programme	Long term	750.00	April 09, 2025	[ICRA]AA+ (Stable)	April 12, 2024	[ICRA]AA+; rating watch with developing implications	Oct 26, 2023	[ICRA]AA+ (Stable)	-	-
					Sept 03, 2024	[ICRA]AA+; rating watch with developing implications	-	-	-	-
Non-Convertible Debenture (NCD) Programme	Long term	500.0	April 09, 2025	[ICRA]AA+ (Stable); withdrawn	Sept 03, 2024	[ICRA]AA+; rating watch with developing implications	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term - Fund Based – Term Loan	Very Simple
Long Term - Fund Based/Non-Fund Based	Simple
Commercial Paper	Very Simple
Non-Convertible Debenture (NCD) Programme	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Term Loan	Mar-18	NA	Mar-25	10.00	[ICRA]AA+ (Stable); withdrawn
NA	Fund Based/Non-Fund Based	NA	NA	NA	2490.00	[ICRA]AA+ (Stable); withdrawn
INE647O14EQ2	Commercial Paper	April-2023	7.31%	Sept-2023	350.00	[ICRA]A1+; withdrawn
INE647O14ET6	Commercial Paper	June-2023	7.03%	Sept-2023	250.00	[ICRA]A1+; withdrawn
INE647O14EU4	Commercial Paper	Aug-2023	7.10%	Nov-2023	100.00	[ICRA]A1+; withdrawn
INE647O14EV2	Commercial Paper	Aug-2023	7.18%	Nov-2023	100.00	[ICRA]A1+; withdrawn
INE647O14EW0	Commercial Paper	Aug-2023	7.14%	Nov-2023	200.00	[ICRA]A1+; withdrawn
INE647O14EW0	Commercial Paper	Aug-2023	7.14%	Nov-2023	50.00	[ICRA]A1+; withdrawn
Unplaced	Commercial Paper	NA	NA	NA	450.00	[ICRA]A1+; withdrawn
Unplaced	Commercial Paper	NA	NA	NA	500.00	[ICRA]A1+
NA	Non-Convertible Debenture (NCD) Programme *	NA	NA	NA	500.00	[ICRA]AA+ (Stable); withdrawn
INE647O08123	Non-Convertible Debenture (NCD) Programme	Sept-2023	7.57%	Sep-2030	750.00	[ICRA]AA+ (Stable)
NA	Non-Convertible Debenture (NCD) Programme *	NA	NA	NA	500.00	[ICRA]AA+ (Stable); withdrawn

*Source: Company; *proposed*

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	ABFRL Ownership	Consolidation Approach
Jaypore E-Commerce Private Limited	100.00%	Full Consolidation
TG Apparel & Décor Private Limited	100.00%	Full Consolidation
Finesse International Design Private Limited	58.69%	Full Consolidation
Sabyasachi Calcutta LLP [formerly M/s. Sabyasachi Couture]	51.00%	Full Consolidation
Sabyasachi Inc, USA	51.00%	Full Consolidation

Company Name	ABFRL Ownership	Consolidation Approach
Indivinity Clothing Retail Private Limited	**80.00%**	Full Consolidation
Goodview Fashion Private Limited	**51.00%**	Full Consolidation
Aditya Birla Digital Fashion Ventures Limited (ABDFVL)	**100.00%**	Full Consolidation
Aditya Birla Garments Limited	**100.00%**	Full Consolidation
House of Masaba Lifestyle Private Limited	**52.44%**	Full Consolidation
Pratyaya E-Commerce Private Limited (Subsidiary of ABDFVL)	**66.26%**	Full Consolidation
Imperial Online Services Private Limited (Subsidiary of ABDFVL)	**55.00%**	Full Consolidation
Awesomefab Shopping Private Limited (Subsidiary of ABDFVL)	**55.00%**	Full Consolidation
Bewakoof Brands Pvt Ltd (BBPL)	**85.17%**	Full Consolidation
Next Tree Products Private Limited (Subsidiary of BBPL)	**85.17%**	Full Consolidation
TCNS Clothing Co. Limited	**51.00%**	Full Consolidation
Styleverse Lifestyle Private Limited	**50.98%**	Full Consolidation
Jaypore Fashions Inc., USA	**100.00%**	Full Consolidation
Wrogn Private Limited	**16.00%**	Full Consolidation

Source: Company data

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