August 05, 2025

BIBA Fashion Limited: Ratings downgraded; outlook revised to Negative

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based/Cash credit	220.00	195.00	[ICRA]BBB+(Negative); downgraded from [ICRA]A- and outlook revised to negative from Stable
Long-term – Fund-based/Term loan	25.00	51.91	[ICRA]BBB+(Negative); downgraded from [ICRA]A- and outlook revised to negative from Stable
Long-term/Short-term – Unallocated	25.00	23.09	[ICRA]BBB+(Negative)/A2; downgraded from [ICRA]A-/A2+; outlook revised to negative from Stable
Total	**270.00**	**270.00**	

**Instrument details are provided in Annexure I*

Rationale

While arriving at the ratings, ICRA has taken a consolidated view of BIBA Fashion Limited (BFL) and Kashida Apparels Private Limited (KAPL), commonly referred to as the Group, given the close business, financial and managerial linkages among the entities.

The rating action factors in the expectation that the Group's scale of operations and cash flows will remain under pressure over the near term, following a weaker-than-anticipated performance in FY2024 and FY2025 (provisional financials). The Group's consolidated revenue grew modestly by 4% to around Rs. 789 crore in FY2025, constrained by subdued industry-wide demand. While operating margins saw a slight improvement, driven by cost rationalisation measures such as employee cost optimisation, reduction in fixed overheads, and closure of loss-making stores, the overall operating performance remains under pressure. Inventory levels, though marginally better than FY2024, remained elevated at around Rs. 380 crore as of March 31, 2025, resulting in high working capital blockage. To support liquidity, the management has focused on inventory reduction through higher discounts over the past year, which has constrained margins. Even as the company's operating performance is expected to report an improvement, cash flows will likely stay constrained in the near term, translating into weak debt coverage metrics, with interest coverage projected at 1.6–1.8 times in FY2026 (as per IND AS).

ICRA notes that the company has taken cost rationalisation initiatives and revamped its strategic approach, including targeting new customer segments to enhance its scale of operations. These efforts, coupled with some improvement in demand and supported by the company's strong brand positioning, are expected to aid a recovery in revenue growth and margin performance over the medium term. Aided by an expansion in the operating profits, the company's debt coverage metrics are expected to chart an improving trend over the medium term. To support the company's funding requirements, the promoters infused Rs. 14 crore in FY2025; further timely funding support from them is anticipated as the Group works towards strengthening its debt coverage indicators.

The ratings continue to draw comfort from the Group's healthy operational profile, characterised by the strong presence of its flagship brand, BIBA, in the domestic ethnic wear segment for women, as well as its established pan-India multi-channel distribution network. The Group operates on an asset-light business model with a healthy proportion of the manufacturing outsourced to vendors on a job-work basis. Lower contribution of in-house manufacturing and the moderate capital expenditure (capex) requirement in store expansion supports the scalability in business.

The ratings remain constrained by the high brand concentration risk and evolving consumer preferences. The business also remains vulnerable to adverse market conditions due to factors including, but not limited to, intense competition in the highly fragmented apparel retail industry.

The Negative outlook on the rating reflects ICRA's expectation that the financial risk profile of the company will remain subdued in the near to medium term while its coverage metrics will likely remain weak despite gradual improvement in operating performance.

Key rating drivers and their description

Credit strengths

Healthy operational profile with strong brand equity and established distribution network – The Group commenced its operations in FY2003, designing and retailing women's ethnic wear under its flagship brand, BIBA, which has an established presence and recall value in the domestic branded apparel market. In FY2014, the Group launched another brand in the value segment, Rangriti, to capture a wider market segment. The Group's pan-India, multi-channel distribution network comprised 405 exclusive brand outlets (EBOs) and over 600 multi-brand outlets (MBOs) as on March 31, 2025. The EBOs allow the company flexibility in promotion and brand building, enabling direct engagement with customers. The MBO channel, on the other hand, helps the Group expand its geographical presence with minimal investments. Strong brand equity and a significant online presence (through channel partners as well as through its own website) have helped the Group grow at a healthy pace over the years.

Asset-light business model supports scalability – The Group designs, brands and retails apparels, and follows an asset-light business model with a healthy proportion of its manufacturing outsourced to vendors on a job-work basis. Lower contribution of in-house manufacturing, even after the commencement of KAPL's operations, along with lower capex requirement in store expansion (given the use of the leased model for self-managed stores), supports the scalability in business.

Credit challenges

Weak operational performance; debt coverage metrics remain modest – The Group's consolidated revenue grew marginally by nearly 4% to about Rs. 783 crore in FY2025 constrained by relatively weak demand in the high fashion garment retail industry. The operating margins improved by approximately 400-500 bps owing to the company's cost-cutting measures. To enhance liquidity, the management has focused on reducing inventory by offering higher discounts while its inventory has moderated to about Rs. 380 crore as of March 31,2025. Even as the company has implemented various cost efficiency measures such as closure of certain non-performing stores and rationalisation of employee costs, the company's margins are estimated to remain under pressure, leading to weak debt coverage indicators (Interest coverage of about 1.6-1.8 times in FY2026 as per IND AS).

High working capital intensity characterised by high inventory – The Group's business is working capital intensive with high inventory holding requirements for its existing as well as new stores. Apart from the increased funding requirements, a large inventory translates into higher risk of obsolescence due to the fast-changing fashion trends, which in turn translate into higher discounting, impacting the margins. The inventory has remained high in the range of 300-330 days over the last two years. Going forward, the Group's ability to efficiently manage its inventory levels, while improving its scale of operations will remain key for sustaining its liquidity position.

High brand concentration risk – While the Group expanded its brand portfolio by launching Rangriti in FY2014, it continues to derive 85-90% of its revenues from its flagship brand, BIBA, resulting in high brand concentration risk. However, the concentration has reduced in recent years (87% in FY2025 from 94% in FY2016) and is expected to decline further with sizeable expansion plans for the Rangriti brand. This is also likely to facilitate a segmental diversification for the Group as Rangriti is an economy brand, compared to the mid-to-high value segment targeted by BIBA.

Exposed to consumer spending trends and intense competition – The Group's sales, profitability and cash accruals, like any other apparel retailers, are closely linked to the macro-economic conditions, consumer confidence and spending patterns, particularly considering the discretionary nature of its products. Besides, its sales remain vulnerable to the consumers' changing tastes and preferences, and competition from the branded as well as fragmented boutique segments in the women's ethnic wear market. Revenue fluctuations will continue to have a bearing on profitability, given the high proportion of fixed costs and the consistent advertisement expenses.

Liquidity position: Adequate

The liquidity profile is expected to remain **adequate**, characterised by free cash and bank balance and liquid investments of about Rs. 13 crore as on March 31, 2025, and average buffer in fund-based working capital facilities of about Rs. 28 crore in the last 12 months ended May 2025. Coupled with the cash flow from operations, this is expected to be sufficient to meet the capex plan of Rs. 5-10 crore in FY2026, debt repayments of Rs. 23.3 crore in FY2026, and the incremental working capital requirements. Additionally, the promoters are expected to infuse funds to support the liquidity, if required, as witnessed in the past.

Rating sensitivities

Positive factors – Given the Negative outlook, an upgrade looks unlikely in the near term. However, the outlook could be revised to Stable if the company exhibits an improvement in revenue and profitability on a sustained basis, which along with an efficient working capital management, leads to an improvement in the credit metrics and liquidity position.

Negative factors – Pressure on the ratings could arise if there is continued pressure on the revenue and cash flow generation, and/or an elongation of working capital cycle, weakening the liquidity profile. Any large debt-funded capex, affecting its credit metrics, could also result in a rating downgrade. Any delay in providing timely funding support from the promoters in case of need would also be critical for the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Textile - Apparels
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of BIBA Fashion Limited. The company has four subsidiaries and associates, which are enlisted in Annexure II.

About the company

Biba Apparels Pvt. Ltd., incorporated in July 2002, is promoted by Mrs. Meena Bindra. BFL is involved in the designing and retailing of ethnic wear, such as *salwar kameez* and *kurtis* for women and girls in the domestic market under its brands, BIBA and Rangriti. Since 1988, the operations were carried out under a partnership firm, Biba Apparels, before being converted into a private limited company in FY2003. Further, in March 2022, the company was converted into a public limited company and renamed as BIBA Fashion Limited.

In June 2022, BIBA incorporated a wholly-owned subsidiary, KAPL, for setting up a backward integrated manufacturing unit. The project has been set up in Indore, with an installed manufacturing capacity of 3.3 million pieces of garments per annum. The unit commenced operations from Q4 FY2024 and its entire production will be sold to BIBA. It is expected to cater to 30% of BIBA's production requirements.

Key financial indicators (audited)

Consolidated	FY2024	FY2025*
Operating income	758.1	789.4
PAT	-95.5	-56.8
OPBDIT/OI	7.0%	11.8%
PAT/OI	-12.6%	-7.2%
Total outside liabilities/Tangible net worth (times)	3.1	3.5
Total debt/OPBDIT (times)	14.4	7.7
Interest coverage (times)	0.9	1.4

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore; *Provisional financials*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	FY2026			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	**Type**	**Amount Rated (Rs Crore)**	**05-Aug-2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Long Term-Cash Credit-Fund Based	Long Term	195.00	[ICRA]BBB+ (Negative)	21-JUN-2024	[ICRA]A (Negative)	07-JUL-2023	[ICRA]A (Positive)	30-JUN-2022	[ICRA]A (Positive)
				23-DEC-2024	[ICRA]A- (Stable)	02-NOV-2023	[ICRA]A (Positive)	-	-
Long Term / Short Term-Unallocated-Unallocated	Long Tem/Short Term	23.09	[ICRA]BBB+ (Negative)/[ICRA]A2	21-JUN-2024	[ICRA]A (Negative)/[ICRA]A2+	07-JUL-2023	[ICRA]A (Positive)/[ICRA]A2+	30-JUN-2022	[ICRA]A (Positive)/[ICRA]A2+
				23-DEC-2024	[ICRA]A- (Stable)/[ICRA]A2+	02-NOV-2023	[ICRA]A (Positive)/[ICRA]A2+	-	-
Long Term-Term Loan-Fund Based	Long Term	51.91	[ICRA]BBB+ (Negative)	21-JUN-2024	[ICRA]A (Negative)	07-JUL-2023	[ICRA]A (Positive)	30-JUN-2022	[ICRA]A (Positive)
				23-DEC-2024	[ICRA]A- (Stable)	02-NOV-2023	[ICRA]A (Positive)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term-Cash Credit-Fund Based	Simple

Long Term-Term Loan-Fund Based	Simple
Long Term / Short Term-Unallocated-Unallocated	Not Applicable

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 / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Cash credit**	-	-	-	195.00	[ICRA]BBB+ (Negative)
NA	**Term loans**	FY2021	-	FY2029	51.91	[ICRA]BBB+ (Negative)
NA	**Short-term/long-term unallocated limits**	-	-	-	23.09	[ICRA]BBB+ (Negative)/[ICRA]A2

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company Name	BFL Ownership*	Consolidation Approach
Kashida Apparels Private Limited	100.00%	Full Consolidation
BIBA Apparels Trading LLC	100.00%	Full Consolidation
IMA Clothing Private Limited	75.00%	Full Consolidation
Anjuman Brand Design Private Limited	36.82%	Equity method of Consolidation

Source: Company

ANALYST CONTACTS

Jitin Makkar
+91 124 4545368
jitinm@icraindia.com

Srikumar Krishnamurthy
+ 91 44 45964318
ksrikumar@icraindia.com

Rohan Kanwar Gupta
+91 124 4545808
rohan.kanwar@icraindia.com

Gaurav Singla
+91 124 4545366
gaurav.singla@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

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For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches