

Arvind Fashions Limited

January 08, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	4.30 (Reduced from 17.19)	CARE A; Positive	Reaffirmed; Outlook revised from Stable
Long-term/Short-term bank facilities	160.00	CARE A; Positive/ CARE A1	Reaffirmed; Outlook revised from Stable
Short-term bank facilities	17.50	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Arvind Fashions Limited (AFL) continue to derive strength from experienced promoters of Ahmedabad-based Lalbhai group, which has a long track record in apparel brands and retail business. AFL benefits from a strong portfolio of licensed international brands, a pan-India retail presence across multiple sales channels, and a diversified revenue mix, though men's wear remains a major contributor. Ratings also factor improvement in return on capital employed (ROCE) and debt coverage indicators, supported by improved operating profitability and controlled working capital cycle in FY25 (FY refers to period April 01 to March 31). Operating profitability margin further improved in H1FY26 and likely to remain ~14-15% in the near-to-medium term.

However, ratings are constrained by modest profitability as some of AFL's brands such as 'Arrow' and 'Flying Machine' operate at sub-optimal scale and its high dependency on its other brands, 'US Polo', 'Tommy Hilfiger' and 'Calvin Klein' for profitability. Sustained improvement in the scale and profitability of 'Arrow' and 'Flying Machine' brands, and maintenance of a prudent capital structure and controlled working capital cycle will remain key monitorable. Ratings also factor AFL's presence in a highly competitive fashion retail industry, which is vulnerable to changing fashion trends, consumer preferences, and economic cycles.

CARE Ratings Limited (CareEdge Ratings) also take cognisance of AFL entering a share purchase agreement (SPA) with Flipkart India Private Limited (Flipkart) to acquire Flipkart's stake in Arvind Youth Brands Private Limited (AYBPL; engaged in wholesale and retailing of own brand 'Flying Machine'), at consideration of ₹135 crore. On completion of the transaction, AYBPL will become a wholly owned subsidiary of AFL.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Double digit growth in its total operating income (TOI) along with improvement in its profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin to more than 15% and ROCE of over 20% on a sustained basis.
- Sustained improvement in its total debt to PBILDT (TD/PBILDT) around 2x.
- Maintaining gross working capital cycle at ~180 days on a sustained basis and company maintaining adequate liquidity cushion.

Negative factors

- Decline in its PBILDT margin below 10% on a sustained basis leading to moderation in its TD/PBILDT above 3.5x and ROCE below 12%.
- Significantly lower-than-envisioned cash flow from operations.

Analytical approach: Consolidated

CareEdge Ratings considered AFL's consolidated financials for its analytical purpose, which includes financials of its subsidiaries/joint venture (JVs), where it has operational and managerial linkages, and they are engaged in same line of operations. Subsidiaries/JVs consolidated in AFL are listed under **Annexure-6**.

Outlook: Positive

Revision in the outlook on the long-term rating of AFL from 'Stable' to 'Positive' reflects the expectations of sustained healthy growth in revenue with improvement in PBILDT margin leading to sustained improvement in its leverage, debt coverage indicators and ROCE.

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Part of the Ahmedabad-based Lalbhai Group with experienced and qualified management

AFL is part of the Ahmedabad-based Lalbhai group, which has a long-standing presence across textiles and apparel retail. The group's flagship company, Arvind Limited (rated 'CARE AA-; Stable/ CARE A1+'), is among India's leading vertically integrated textile players. AFL was demerged from Arvind and listed separately on March 8, 2019, with the Lalbhai family continuing as the largest shareholder.

Mr Sanjay Lalbhai serves as Chairman of AFL, while his sons, Mr Punit Lalbhai and Mr Kulin Lalbhai, act as non-Executive Directors. AFL's management team includes Ms Amisha Jain (Managing Director & CEO) and Girdhar Chitlangia (Chief Financial Officer). Ms Amisha Jain succeeded Mr Shailesh Chaturvedi, who transitioned out on September 30, 2025. Ms Amisha Jain brings extensive experience from Levi Strauss & Co. and Nike. AFL's board also includes eminent industry experts, including Mr Nilesh Shah, MD of Kotal Mahindra AMC, and Mr Achal Anil Bakeri, MD of Symphony Limited.

Strong parentage and experienced leadership are expected to drive operational efficiency and support AFL's sustainable growth and profitability in the medium term.

Strong brand portfolio of own and licensed international apparel brands

In the last 3-4 years, AFL has rationalized its portfolio by exiting loss-making brands and focusing on five core brands Tommy Hilfiger, U.S. Polo Assn., Arrow, Flying Machine, and Calvin Klein to improve profitability. Flying Machine is an owned brand, while others are licensed under long-term or perpetual agreements. These brands have been key revenue drivers and are expected to sustain growth in the medium-to-long term. Historically, higher growth momentum of some of these brands led to healthy PBILDT margin thus driving AFL's overall profitability.

AFL's portfolio covers multiple price points and segments, with a strategic focus on casual wear. While menswear remains dominant, the company has scaled adjacent categories such as womenswear, kidswear, innerwear, and accessories. Revenue from these categories rose to ₹650 crore in FY25 (FY refers to April 01 to March 31), contributing over 20% of total sales. The management aims to increase this share to ~25% in the medium term, supporting revenue diversification and margin stability. Bureau of Indian Standards (BIS)-related disruptions have been resolved for footwear, and the category grew by 25% in H1FY26 over H1FY25. AFL expects footwear revenue to grow by 25-30% in FY27 and reach ~₹500 crore in couple of years.

AFL further strengthened its brand-building initiatives with a renewed focus on casualisation and product differentiation, which supported like-to-like growth across brands. Brand visibility was enhanced through marquee events, influencer partnerships and advertising spend, with brand investments of ~4% of revenue.

Overall, AFL continued focus on its core brands, expansion of adjacent categories and sustained investments in brand building are expected to support revenue growth.

Wide distribution network with presence across multiple sales channels

AFL has an extensive distribution network comprising 977 exclusive brand outlets (EBOs) and over 9,000 multi-brand outlets (MBOs), with total retail space of 11.74 lakh sq. ft. as on March 31, 2025 (FY24: 10.72 lakh sq. ft.). It operates through own stores, wholesale distribution to MBOs and large-format stores, and online platforms such as Flipkart, Myntra, Amazon, and its own portals NNNOW.com, megamartfashions.com and uspoloassn.in. AFL has enhanced omni-channel capabilities by integrating offline inventory with online platforms, enabling a unified 'one-view-of-inventory' system. Most stores are omni-enabled, improving fulfilment efficiency and customer experience. In FY25, AFL implemented technology solutions such as machine learning tools for rapid replenishment and inter-store transfers, improving product availability and sell-through. AFL achieved sales of ₹1,119 crore from online channel in FY25, contributing 24% of consolidated sales (FY24: 23%). The management expects share of online sales to rise to 25-30% in the medium term with increase in share of online business to consumer (B2C).

Continued improvement in profitability and ROCE albeit high dependence on few brands for profitability

AFL delivered resilient performance in FY25 despite inflationary pressures and subdued discretionary demand. TOI grew by ~8.50% to ₹4,620 crore in FY25 (FY24: ₹4,259 crore), supported by steady demand across core brands, mid-single-digit like-to-like growth, and network expansion. Investments in adjacent categories such as womenswear and footwear aided incremental growth.

Profitability improved considering higher full-price sales, lower discounting, and cost optimisation measures. Operating leverage benefits further supported margin expansion, with PBILDT margin rising to 13.33% (FY24: 12.32%). ROCE improved to 20% in FY25 (FY24: 16%). However, consolidated PBILDT margin remain impacted by low profitability from some brands operating at sub-optimal scale such as Arrow and Flying Machine.

AFL holds a 50% equity stake in PVH Arvind Fashion Private Limited (PAFPL, rated CARE A+; Stable), which is fully consolidated in its financial statements. Excluding PAFPL, AFL's consolidated PBILDT margin, debt/PBILDT, and ROCE remained moderate at 10.99%, 3.80x, and 8.99%, respectively for FY25, indicating high dependence on Tommy Hilfiger and Calvin Klein brands. The moderate financial performance excluding PAFPL is primarily due to net loss-incurring brands such as Flying Machine and Arrow. In H1FY26, TOI grew by 14%, with PBILDT margin improving to 13.64% (H1FY25: 13.04%) despite higher advertisement spends. AFL's revenue is expected to surpass ₹5,100 crore in FY26, driven by strong brand portfolio, scaling of adjacent categories, franchise-led expansion in Tier-II and Tier-III towns, and better store productivity. PBILDT margin is expected to gradually improve to 15-16% by FY28, supported by higher full-price sell-through, improvement in performance of Arrow and Flying Machine, and benefit of operating leverage. AFL's strong brand portfolio, continued premiumisation, and asset-light expansion are expected to sustain revenue growth and enhance ROCE in the medium term.

Satisfactory capital structure and debt coverage indicators

AFL's capital structure remained largely stable, with overall gearing (including lease liabilities) and total outside liabilities to tangible net worth (TOL/TNW) at 1.47x and 2.60x, respectively, as on March 31, 2025 (PY: 1.37x and 2.31x, respectively). AFL's debt level is expected to increase in the near term backed by increase in working capital requirement to support growing scale of operations and payment of consideration of ₹135 crore towards acquisition of Flipkart's entire 31.25% equity stake in AYBPL (rated CARE A-; Positive/CARE A2+). However, overall gearing is expected to fall below unity in the medium term, supported by healthy improving profitability.

With improvement in operating profitability and largely stable debt levels in FY25, AFL's debt coverage indicators strengthened, with TD/PBILDT improving to 2.43x in FY25 from 2.73x in FY24. CareEdge Ratings expects TD/PBILDT to improve to below 2x by FY27.

Key weaknesses

Operating performance exposed to economic down-cycles

The retail apparel and lifestyle industry inherently depends on discretionary consumer spending and is therefore sensitive to economic cycles. AFL's operating performance remains sensitive to macroeconomic conditions, and any prolonged weakness in discretionary demand could constrain revenue growth and margin expansion. Consumers, especially younger ones, are spreading their spending across experiences (travel, dining) and electronics instead of apparel. This shift reduces wallet share for clothing.

Recent Government changes and easing inflation are expected to improve discretionary consumer spending, thereby driving growth in the near-to-medium term. The medium-to-long-term outlook for organised apparel retail remains favourable, driven by supportive demographics, premiumisation trends and continued migration from unorganised to organised retail formats.

Highly competitive branded apparel retail industry, exerting pressure on profitability margins

The branded apparel retail industry in India remains intensely competitive, characterised by presence of multiple domestic and international players and the expanding retail footprints of large corporate groups such as Tata, Reliance, and Aditya Birla. AFL also faces competition from private-label brands offered by large-format retailers and online platforms. Aggressive store additions across the industry exert pressure on PBILDT margin, as earnings from mature stores may not fully offset gestation losses of newly opened outlets. AFL's diversified brand portfolio and sustained investments in brand building continue to support its competitive positioning.

Being in the retail business, AFL has to continuously invest to revamp its existing stores and for opening new stores. The company is focusing on franchisee led expansion, limiting its capex requirements. In FY25, AFL added 120 EBO primarily through the franchise route and targets annual retail space addition of 12-15%. AFL has planned capex of ~₹120-150 crore per annum in FY26-FY28, which is expected to be funded through internal accruals.

Liquidity: Strong

AFL's operations have been highly working capital intensive due to requirement of large inventory holding in its retail business and extension of credit to its wholesale/online channels. However, AFL has taken steps to improve inventory turnover and

collection period. The company's gross operating cycle has largely remained at ~200 days in FY25 (FY24: 199 days). Its cash flow from operations has been continuously improving over the years and the stood at ₹371 crore for FY25 (FY24: ₹278 crore).

AFL has strong liquidity at a consolidated level marked by undrawn working capital limits, unencumbered cash and bank balance and its healthy current ratio. On a standalone level, AFL's average utilisation of fund-based working capital limits stood at ~57% for 12 months ended September 2025, while average utilisation of fund-based limits of Arvind Lifestyle Brands Limited (ALBL; its major subsidiary) stood at 58% for the same period. As on September 30, 2025, AFL had unutilised working capital limits of over ₹250 crore apart from cash and bank balance of ~₹30 crore, providing adequate liquidity cushion. CareEdge Ratings expects annual cash accruals of over ₹300 crore against relatively low term debt repayment obligation, providing liquidity cushion.

Environment, social, and governance (ESG) risks

Parameter	Compliance and action by the company
Environment	<ul style="list-style-type: none"> AFL has initiated a structured transition towards renewable energy, with ~80% of electricity consumption at its corporate office sourced from renewable energy. Energy efficiency initiatives have been implemented across logistics and warehousing operations, including the installation of motion-sensor-based lighting systems, which automatically regulate illumination based on occupancy and are estimated to reduce electricity consumption by up to ~30% in applicable facilities. AFL has undertaken initiatives to reduce the environmental footprint of its products by introducing select stock-keeping units (SKUs) made using sustainable cotton blends and adopting non-hazardous chemicals in garment washing processes, in line with evolving environmental norms and consumer preferences.
Social	<ul style="list-style-type: none"> AFL introduced 'responsible sourcing guidelines' for its finished goods vendors, which contain minimum sustainability and compliance standards that its vendors are expected to meet and good practices that may be adopted. AFL is focusing on increasing productivity of employees by building their skillsets and technical knowledge
Governance	<ul style="list-style-type: none"> AFL's board of directors consists of 50% independent directors (6 of 12). There are separate Codes of Conduct for Board Members and senior management personnel. Policies, including whistle blower policy, is in place, considering the requirement.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Retail](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Consumer services	Retailing	Distributors

AFL was originally incorporated in January 2016 as Arvind J&M Limited, and its name was changed to its current form in October 2016. It is part of the Ahmedabad-based Lalbhai group and earlier used to be a 90% subsidiary of Arvind. Post business restructuring undertaken within the Arvind group, AFL was demerged and separately listed on the stock exchange on March 08, 2019. Arvind's shareholders became AFL's shareholders post demerger. Through its one wholly owned subsidiary, one JV and two step-down subsidiaries, AFL is engaged in wholesaling and retailing of owned and licensed branded apparels in India. However, its wholly owned subsidiary, ALBL has major contribution to AFL's consolidated revenue, profitability and debt profile.

Brief details of businesses conducted by AFL and its subsidiaries/JV:

Company Name	Business activities
AFL	Wholesale of licensed brand 'Arrow'
ALBL - 100% subsidiary of AFL	Wholesale and retailing of U.S. Polo and retailing of Arrow

Company Name	Business activities
AYBPL - proposed to be wholly owned subsidiary by AFL through its 100% subsidiary ALBL	Wholesale and retailing of own brand 'Flying Machine'
PAFPL - 50% JV between AFL and PVH Corp, USA	Wholesale trading of 'Tommy Hilfiger' (TH) and 'Calvin Klein' branded apparels, accessories and retail trading for TH brand
Value Fashion Retail Limited – wholly-owned by ALBL	Non-operational

Brief consolidated Financials (₹ crore)	FY24 (A)	FY25 (A)	H1FY26 (UA)
Total operating income	4,259	4,620	2,552
PBILDT	525	616	348
PAT from continuing operations	107	34	81
PAT from continuing operations and discontinued operations	137	33	81
Overall gearing [@] (x)	1.37	1.47	1.57
PBILDT Interest coverage (x)	3.36	3.63	4.24

A: Audited UA: Unaudited; @ including lease liability in debt; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2025	4.30	CARE A; Positive
Fund-based-LT/ST	-	-	-	-	160.00	CARE A; Positive / CARE A1
Non-fund-based - ST-Working Capital Limits	-	-	-	-	17.50	CARE A1

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based-LT/ST	LT/ST	160.00	CARE A; Positive / CARE A1	-	1)CARE A; Stable / CARE A1 (08-Jan-25) 2)CARE A; Stable / CARE A1 (09-Aug-24)	1)CARE A; Stable / CARE A1 (05-Jan-24)	1)CARE A-; Positive / CARE A2+ (06-Dec-22)
2	Fund-based - LT-Term Loan	LT	4.30	CARE A; Positive	-	1)CARE A; Stable (08-Jan-25) 2)CARE A; Stable (09-Aug-24)	1)CARE A; Stable (05-Jan-24)	1)CARE A-; Positive (06-Dec-22)
3	Non-fund-based - ST-Working Capital Limits	ST	17.50	CARE A1	-	1)CARE A1 (08-Jan-25) 2)CARE A1 (09-Aug-24)	1)CARE A1 (05-Jan-24)	1)CARE A2+ (06-Dec-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based-LT/ST	Simple
3	Non-fund-based - ST-Working Capital Limits	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)**Annexure-6: List of entities consolidated as on March 31, 2025**

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Arvind Lifestyle Brands Limited	Full	Wholly Owned Subsidiary
2	Arvind Youth Brands Private Limited		Subsidiary
3	Value Fashion Retail Limited		Subsidiary
4	PVH Arvind Fashion Private Limited		Joint venture

Note on complexity levels of rated instruments: CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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