Khadim India Limited

July 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	151.45 (Enhanced from 140.24)	CARE BBB (RWD)	Continues to be on Rating Watch with Developing Implications
Short Term Bank Facilities	31.50	CARE A3+ (RWD)	Continues to be on Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Khadim India Limited (KIL) continue to be on 'Rating Watch with Developing Implications' in the view of ongoing Scheme of Arrangement (SOA) to demerge its distribution business into KSR Footwear Limited vide NCLT order dated March 27, 2025, effective from May 01, 2025. As per the scheme KIL shall demerge its distribution business, as a going concern into KFL. Post the scheme become effective (i.e. May 01, 2025) the KFL shall issue 1 equity share each at a face value of Rs. 10 each fully paid up to shareholders KIL. The management has articulated that it is under process for bifurcation of debt between KIL and KSR Footwear Limited which is expected to be completed by July end 2025.

Reaffirmation of ratings assigned to bank facilities of KIL continue to factor in the experienced management and the long track record of operations of promoters, satisfactory financial performance in FY25 (refers to April 1 to March 31) albeit moderation in operating margins due to reduction in MRP in retail segment to push volume growth, a wide retail and distribution network diversified product portfolio, and established position in the footwear industry, particularly in East and South India, though geographically concentrated. CARE Ratings Limited (CARE Ratings) notes partial receipt of institutional debtors and management articulation that the same is expected to be received in current FY.

However, ratings are tempered by a moderate capital structure, profits susceptible to volatility in raw material prices, moderate capacity utilisation, working capital intensive nature of operations, and fragmented and intensely competitive nature of the footwear industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in Increasing scale of operation (>800 crore) with profit before interest, lease rentals, depreciation and taxation (PBILDT) margins sustaining at current levels.
- Improving capital structure with overall gearing (<0.80x) and total debt to gross cash accruals (TDGCA) (<5x) on a sustained basis.
- Full recovery of long pending institutional debtors.

Negative factors

- Deteriorating overall gearing (1.6x) on a sustained basis.
- Decreasing PBILDT margins (<6%) on a sustained basis.

Analytical approach: Standalone

Detailed description of key rating drivers:

Key strengths

Experienced management and long track record of operations of promoters: KIL's promoters have long experience in footwear business. The founder of KIL, Late S. P. Roy Burman, had been associated with footwear business since 1965. Under his leadership, KIL's business witnessed considerable growth across India. Presently, the company's day-to-day affairs are being looked after by the CMD, Siddhartha Roy Burman. He has more than three decades of experience in the footwear industry and is assisted by his son, Rittick Roy Burman and management team having rich experience in the same line of business.

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

Established position in footwear industry with diversified product portfolio: KIL has developed a strong brand of 'Khadim' with a legacy of five decades in the footwear industry backed by high quality products and commands a nationwide presence (especially in east and south India). The company has an established Retail and Distributor network. It also has several sub-brands for footwear, such as British Walker, Sharon, Lazard, Pro, Softouch, Cleo, Turk, Bonito, Adrianna, etc, available at difference price points ranging between ₹105 and ₹4,199 under its retail portfolio of brands.
While, under its distributor model, KIL offers EVA, basic and premium Hawai, poly vinyl chloride (PVC), PVC DIP and PU products, manufactured in-house, at price points ranging between ₹75 and ₹999 per pair.
Post demerger, the company's focus will be towards its retail segment, which is facing pricing pressure. The company plans to come up with various products under both open and closed footwear segment.

Wide presence through retail and distribution network, though concentrated in east India and south India: - KIL has a PAN India presence through its retails stores and distributors operating in 27 states and five union territories. Even though having a PAN India presence, the sales are concentrated in east India with close to 65% of retail stores/65% of distributor network coming from the eastern region, followed by south India. In line with store/distribution network, sales in both retail and distribution are concentrated in east India followed by south India, leading to risk of region-specific economic impact on sales and profits. KIL has a strong retail model with a total of 886 (868 stores as of March 31, 2024) stores as on March 31, 2025, comprising 213 company owned company operated (COCO) and 673 franchise stores.
KIL's wide distribution network of 781 distributors as on March 31, 2025 (753 as of March 2024) serves to various multi-brand operators (MBO) across the country.
The company's focus is to push volume growth through slight reduction in MRP coupled with taking over operations of few of the underperforming franchisees in retail segment**.**

Satisfactory Financial performance albeit moderation in operating margins in FY25: - In FY25, total operating income (TOI) remains stable at Rs. 623.74 crore (Retail: Rs. 418 crore & Distribution: Rs. 205.71 crore) as compared to Rs. 614.90 crore in FY24 (Retail: 426.25 crore & Distribution: Rs. 188.65 crore). Dip in sales in retail segment is driven mainly by muted performance of franchise stores while distributor segment exhibited sales growth after few years. In order to push sales, the company plans to take over 50-60 franchisees under True Franchise Model (TFM) wherein company will manage the franchise stores while ownership of the store will remain franchise. Also, the company is pushing sales volume through slight reduction in ASP. ASP declined by 2.22% in FY25 from Rs.539/pair in FY24 to Rs. 527/pair in FY25 in retail segment.
As a result, PBILDT margin moderated to 10.71% in FY25 from 12.06% in FY24 on account of moderation in margins in retail segment (17.69% in FY24 to 15.61% in FY25).

Key weaknesses

Moderate capital structure with satisfactory debt potential metrics: Although the leverage structure of the company improved slightly marked by overall gearing stood at 1.18x in FY25 vis-à-vis 1.36x in FY24 mainly on account of reduction in lease liability, it continued to remain moderate. The company has total debt outstanding of around Rs. 298 crore which includes lease liabilities of Rs. 181.15 crore, working capital limit of Rs. 103 crore (out of sanctioned limit of Rs.125 crore), LC acceptance of Rs. 2.97 crore and term loan of Rs. 11.01 crore. Debt potential metrices remained satisfactory marked by interest coverage at 2.22x (P.Y. 2.18X) and TD/GCA stands at 6.42x in FY25 (P.Y. 6.67x).

Moderate Capacity utilization: KIL has in-house manufacturing facility for Hawai, EVA, and PVC category of footwear, majority of which is sold through the distribution segment. The retail segment has more premium products and large number of designs are needed in smaller quantities, thus 90% of the work was outsourced in FY25. In FY25, the capacity utilisation of distribution segment moderated to around 42% from 45% in FY24 due to addition of capacity.

Margins susceptible to volatility in raw material prices: Key raw material required for KIL are PVC, leather, rubber, EVA, Poly Urethane (PU) and other compounds. A large part of these compounds are crude derivatives (PVC, EVA, and PU) and the natural rubber prices are also volatile depending upon demand and supply scenarios. KIL's manufacturing division caters to the distribution segment, where pass through of raw material prices through hike in prices is difficult. Thus, volatility in prices of key raw materials has the potential to significantly impact the profits of the company. The company majorly relies on outsourcing for its retail division (around 90% of retail sales in FY25). KIL has large base of outsourced vendors having extensive relationship with the company. Under this model, KIL shares the design requirement and the overall specification of raw materials to be used (including identified vendors for raw materials) with the outsourced vendors. Pricing for each order is finalised upfront and thus, the vendors directly manage the costing of the products. Due to better negotiating power of KIL, it is usually able to manage short-term volatility. Moreover, as demand elasticity is relatively lower at the consumer level, the company has taken reduction in MRP in retail segment by reducing ASP by 2.22% in FY25.

Working capital intensive nature of business: - Because of large no. of SKUs, the company's inventory requirements remain high. With increase in competition, the company has to extend credit period to its distributors. Apart from the above, the company also had accumulated GST to the tune of ₹22 crore as of March 2025, which has come down from ₹31 crore as on March 31, 2024, and long-pending debtors worth ₹35 crore from its institutional sales (₹35 crore from Punjab government), which adds to the intensity. The gross current assets days for the company stood at 274 days, slightly higher than 264 days in FY24 due to increase in receivables on the back of higher credit period given to franchises. Working capital cycle remains stable at 136 days in FY25. Owing to its established market position, KIL is also able to negotiate better credit terms from its suppliers with creditor days increasing from 112 days in FY24 to 114 days in FY25. The management has articulated that there is a legal precedence wherein High Court has ordered Punjab government to pay outstanding dues with interest to another vendor under the same scheme and the same had been paid by Punjab government. Therefore, they expect to realize the debtor dues of ₹35 crore from the Punjab government by FY26-end. Timely recovery of the pending receivables pertaining towards institutional sales will remain a key monitorable.

Fragmented and intensely competitive nature of footwear industry: - The domestic footwear industry is fragmented and is characterised by several unorganised players. These players largely target the low/middle-income segment since these consumer groups are not brand conscious. Moreover, there is a pressure from cheap imports (mainly from China) in this segment. Since KIL largely caters to middle-income segment, its profit margins are relatively low. This apart, KIL also faces stiff competition from large players.

Liquidity: Adequate

Adequate liquidity position marked by sufficient cushion in GCA of Rs. ~47.00 crore as against debt repayment obligation of Rs. 24.11 crore (including lease liability) in FY25; supported by above unity current ration as on March 31, 2025. This apart company the average utilization in working capital limit stood at 80% for past 12 months ending April 2025. In FY26, the company has debt repayment obligation of Rs. 23.40 crore (including lease liability) which is expected to be met out of gross cash accrual of the company. In FY25, KIL has been sanctioned a fresh term loan of Rs. 20 crores to fund its expansion of COCO stores. Till date KIL has taken disbursement of only Rs. 6.50 crore and is expected to get balance drawdown by the end of June 2025 (as articulated by management).

Environment, social, and governance (ESG) risks: NA

Applicable criteria

Policy on Default Recognition
Rating Outlook and Credit Watch
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating of Short Term Instruments
Manufacturing Companies

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Footwear

Khadim India Limited (KIL), incorporated in 1981, is engaged in manufacturing, wholesaling & retailing of footwear & related accessories through 886 retail stores (65% of sales) and 781 distributors (31.73% of sales) as of Mar'25. Out of 886 retail stores, 213 were Company Owned and Company Operated (COCO) and 673 were operated by the franchisees. This apart, the company has wide network of 781 distributors across India as on March 31, 2025. The company's day-to-day affairs are looked after by the CMD, Siddhartha Roy Burman (son of Late S. P. Roy Burman) and his son, Rittick Roy Burman, and adequate support from a team of experienced personnel.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (Abridged)
Total operating income	614.90	623.74

PBILDT	74.17	66.78
PAT	6.32	5.20
Overall gearing (times)	1.37	1.18
Interest coverage (times)	2.18	2.22

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: NA

Any other information: NA

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-Cash Credit	-	-	-	-	121.00	CARE BBB (RWD)
Fund-based - LT-Stand by Limits	-	-	-	-	4.00	CARE BBB (RWD)
Fund-based - LT-Term Loan	-	-	-	July 2028	26.45	CARE BBB (RWD)
Non-fund-based - ST-Bank Guarantee	-	-	-	-	6.00	CARE A3+ (RWD)
Non-fund-based - ST-Forward Contract	-	-	-	-	0.50	CARE A3+ (RWD)
Non-fund-based - ST-Letter of credit	-	-	-	-	25.00	CARE A3+ (RWD)

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-Cash Credit	LT	121.00	CARE BBB (RWD)	-	1)CARE BBB (RWD) (05-Jul-24)	1)CARE BBB (RWD) (11-Oct-23) 2)CARE BBB; Positive (06-Jul-23)	1)CARE BBB; Stable (11-Jul-22) 2)CARE BBB; Stable (01-Apr-22)
2	Non-fund-based - ST-Letter of credit	ST	25.00	CARE A3+ (RWD)	-	1)CARE A3+ (RWD) (05-Jul-24)	1)CARE A3+ (RWD) (11-Oct-23) 2)CARE A3+ (06-Jul-23)	1)CARE A3+ (11-Jul-22) 2)CARE A3+ (01-Apr-22)
3	Fund-based - LT-Stand by Limits	LT	4.00	CARE BBB (RWD)	-	1)CARE BBB (RWD) (05-Jul-24)	1)CARE BBB (RWD) (11-Oct-23) 2)CARE BBB; Positive (06-Jul-23)	1)CARE BBB; Stable (11-Jul-22) 2)CARE BBB; Stable (01-Apr-22)
4	Non-fund-based - ST-Bank Guarantee	ST	6.00	CARE A3+ (RWD)	-	1)CARE A3+ (RWD) (05-Jul-24)	1)CARE A3+ (RWD) (11-Oct-23) 2)CARE A3+ (06-Jul-23)	1)CARE A3+ (11-Jul-22) 2)CARE A3+ (01-Apr-22)
5	Non-fund-based - ST-Forward Contract	ST	0.50	CARE A3+ (RWD)	-	1)CARE A3+ (RWD) (05-Jul-24)	1)CARE A3+ (RWD) (11-Oct-23)	1)CARE A3+ (11-Jul-22) 2)CARE A3+ (01-Apr-22)

							2)CARE A3+ (06-Jul-23)	
6	Fund-based - ST-Line of Credit	ST	-	-	-	-	-	1)Withdrawn (11-Jul-22) 2)CARE A3+ (01-Apr-22)
7	Fund-based - LT-Term Loan	LT	26.45	CARE BBB (RWD)	-	1)CARE BBB (RWD) (05-Jul-24)	1)CARE BBB (RWD) (11-Oct-23) 2)CARE BBB; Positive (06-Jul-23)	1)CARE BBB; Stable (11-Jul-22) 2)CARE BBB; Stable (01-Apr-22)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: NA

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Stand by Limits	Simple
3	Fund-based - LT-Term Loan	Simple
4	Non-fund-based - ST-Bank Guarantee	Simple
5	Non-fund-based - ST-Forward Contract	Simple
6	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE 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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