Liberty Shoes Limited

December 18, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	111.00	CARE BBB+; Stable	Reaffirmed
Short Term Bank Facilities	42.50	CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to the bank facilities of Liberty Shoes Limited (LSL) continues to derive strength from steady operational performance of the company in FY25 (FY refers to April 01 to March 31) and H1FY26 (refers to April 01 to September 30), a wide distribution network with presence in online channel, comfortable capital structure, and geographically diversified revenue stream. The ratings also derive comfort from its established brand image and market position in the domestic footwear industry and the long track record of LSL and its promoters in the footwear industry. These strengths are, however, partially offset by the risk of termination notices from group entities, which may lead to disruptions in the company's operations and surrendering of the "Liberty" trademark held by Group entity Liberty Footwear Co. (LFC), the working capital-intensive nature of operations, the highly fragmented and competitive nature of the footwear industry, and susceptibility of margins to volatility in raw material prices. Going forward, amicable resolution of all disputes and other contingencies with respect to brand and other group entities without any adverse impact on the financial risk profile of the company will be a key monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in total operating income above ₹800 crore and Profit before interest, lease rentals, depreciation, and taxes (PBILDT) margin above 9% on a sustained basis.
- Improvement in operational cashflows leading to improved liquidity and lower dependence on working capital borrowings.

Negative factors

- Termination of contract with any of the group entities adversely affecting the company's operations.
- Decline in Total Operating Income below ₹400 crore, PBILDT margin below 6% on a sustained basis.
- Elongated gross current assets days beyond 250 days which may constrain liquidity.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CareEdge Ratings) expectation of sustenance of company's scale of operations supported by the well-established brand presence of Liberty Shoes while maintaining the comfortable financial risk profile of the company.

Detailed description of key rating drivers:

Key strengths

Experienced management with long track record of operations

The management team has experience of more than three decades in the footwear industry. In 2022, the Board of Directors reconstituted the Management Committee (MC), which oversees and evaluates all strategic and operational aspects of the company. The MC comprises promoters and independent members, ensuring decisions are made democratically, reducing reliance on any individual director. Additionally, various verticals such as procurement, marketing, exports, manufacturing, leather, and sales are all headed by different individuals from the promoter group which work cohesively towards business growth.

Reputed brand with a diversified geographic presence

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

LSL has a diversified product portfolio and enjoys a strong brand name in the footwear industry, stemming from its long successful track record. The company has widespread presence in North India with increasing footprints in the southern region. LSL has also developed several popular sub-brands such as Fortune, Healers, Lucy n Luke, Warrior, Windsor, Senorita, Tiptop, Footfun, Prefect, Force10, Gliders, Coolers, Aha, and Leap7x. Further, the company has a wide and established distribution network comprising about 150 distributors and 467 exclusive showrooms as on September 2025 (franchised and owned) spread across the country. The company derives sales from various channels including institutional sales, franchisee stores, distributors, company-owned showrooms, and online channels, and thus is not dependent on any single channel.

Steady operational performance

The company's revenue remained stable at ₹675.48 crore in FY25, with slight increase of ~6% from ₹636.05 crore driven by opening up of new retail stores in tier-2/3 cities, launch of new brands, and higher sales through digital platforms. Further, the PBILDT margin remained comfortable at 10.11% due to efficient utilization of manufacturing capacities and better absorption of fixed overheads (PY: 10.14%).

Comfortable financial risk profile

The capital structure of LSL has been comfortable on account of high net-worth base owing to accretion of profits over the years. The overall gearing of the company stood at 0.70x as on March 31, 2025 (PY: 0.71x). The improvement is mainly on account of timely repayment of term loans low working capital limit utilisation amounting to ₹69.36 crore (PY: ₹68.13 crore) as on March 31, 2025. Further, debt coverage indicators remained comfortable due to improvement in operating profit of the company marked by total debt to Gross Cash Accrual and interest coverage ratio of 3.33x and 5.19x for FY24 (PY: 3.28x and 4.75x).

Key weaknesses

Risk related to termination notices by group entities

The company has long-term arrangements with three group firms, namely Liberty Group Marketing Division (LGMD), Liberty Enterprises (LE), and Liberty Footwear Co. (LFC), renewed with validity till March 31, 2028, for the exclusive use of complete business of these firms, including their intellectual property rights (IPR) and trademarks. However, the company has received termination notice from multiple partners in these firms. Since the company has operational linkages with these firms and the "Liberty" brand trademark is held by LFC, any change in contract terms would have a significant impact on the company's operations. To mitigate this risk, the company is actively emphasising the promotion of its proprietary brands such as Healers, Leap 7x, and Lucy n Luke. Moreover, per the management, the majority of partners within these entities intend to acquire the Liberty brand and consolidate other assets from the aforesaid partnership firms under LSL. Hence, resolution of disputes among the promoters and with the group entities remains a key monitorable.

Working capital intensive nature of operations

LSL's working capital cycle is stretched mainly on account of long inventory holding period, as the company has to maintain 90-100 days of inventory to meet any sudden spike in demand for a particular product. Further, the company has to maintain a wide variety of inventory of finished goods across its stores, which results in high inventory. Debtor period has remained stable at 56 days as on March 31, 2025, on account of faster selling of inventory in distributor and franchisee channels on the back of increased footfall. In institutional sales, debtor period remains in the range of 15-20 days, e-commerce within seven days, and cash sales in company-owned stores, whereas the company extends a credit period of ~60 days for sales to distributors and franchisee stores. Due to improved realisations, the company is availing cash discounts from its suppliers for early payments, leading to reduced creditor period to 39 days as on March 31, 2025 (PY: 45 days).

Susceptibility of margins to volatility in raw material prices

The main raw materials for LSL are polyvinyl chloride (PVC), leather, and polyurethane (PU) chemicals, the prices of which are linked with crude oil prices and are volatile. LSL's profitability depends to a large extent on the movement in raw material prices. With changing customer preferences and intense competition in the footwear segment, mainly on account of significant presence of the unorganised sector and availability of cheap Chinese imported products, it is not always possible to pass on the entire increase in raw material prices to customers, which might exert pressure on the company's profitability.

Fragmented and highly competitive industry

The domestic footwear industry is fragmented and characterised by a large number of unorganised players. The unorganised segment gains prominence in the Indian context due to its price-competitive products, which are more suitable and attractive to the price-conscious Indian consumer. But with increased household income, shifting consumer behaviour from saving to spending, increasing brand consciousness among Indian consumers, influx of global brands, and penetration in tier-II and tier-III cities by footwear companies, organised retail in the footwear market is rapidly evolving and expected to grow at a higher rate in the future.

Liquidity: Adequate

The company has adequate liquidity marked by projected gross cash accruals of ~₹33 crore vis-à-vis minimal scheduled repayment obligations of ₹1.35 Cr during FY26 and modest cash and bank balance of ~₹4.15 crore as on March 31, 2025. Further, the company had above unity current ratio with steady operational cash flows in FY25. Considering no major capex envisaged in the near future, the unutilized bank lines are adequate to meet its incremental working capital needs over the next one year.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

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

About the company and industry

Industry classification

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

Incorporated in September 1986, LSL is the flagship company of the Karnal (Haryana) based Liberty Group. The group has presence in Indian footwear industry for the last six decades. LSL is engaged in the business of manufacturing and selling leather and non-leather footwear. The company has five manufacturing facilities located at Gharaunda (Haryana), Liberty Puram (Haryana), Ponta Sahib (Himachal Pradesh) and Roorkee (Uttarakhand) having a combined capacity of manufacturing 106 Lakh pairs of shoes per annum as on September 30, 2025. LSL sells its merchandise through its pan India distribution network.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	H1FY26 (UA)
Total operating income	636.05	675.48	347.02
PBILDT	64.48	68.30	31.39
PAT	11.16	13.56	5.30
Overall gearing (times)	0.71	0.70	NA
Interest coverage (times)	4.75	5.19	4.02

A: Audited UA: Unaudited; NA: Not available; Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax

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-Cash Credit		-	-	-	95.00	CARE BBB+; Stable
Fund-based - LT-Cash Credit		-	-	-	16.00	CARE BBB+; Stable
Non-fund-based - ST-BG/LC		-	-	-	42.50	CARE A2

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	95.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (31-Dec-24)	1)CARE BBB+ (RWD) (01-Dec-23) 2)CARE BBB+ (RWD) (28-Sep-23)	1)CARE BBB+; Stable (30-Sep-22)
2	Non-fund-based - ST-BG/LC	ST	42.50	CARE A2	-	1)CARE A2 (31-Dec-24)	1)CARE A2 (RWD) (01-Dec-23) 2)CARE A2 (RWD) (28-Sep-23)	1)CARE A2 (30-Sep-22)
3	Fund-based - LT-Cash Credit	LT	16.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (31-Dec-24)	1)CARE BBB+ (RWD) (01-Dec-23) 2)CARE BBB+ (RWD) (28-Sep-23)	1)CARE BBB+; Stable (30-Sep-22)

LT: Long term; ST: 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-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

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

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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