Khadim India Limited

January 13, 2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	151.45	CARE BBB; Stable	Reaffirmed and removed from Rating Watch with Developing Implications; Stable outlook assigned
Short Term Bank Facilities	31.50	CARE A3+	Reaffirmed and removed from Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited had placed the ratings of Khadim India Limited (KIL) on rating watch with developing implications in October 2023, in view of the Scheme of Arrangement (SOA) to demerge its distribution business into a separate entity (KSR Footwear Limited) and the possible impact of the same on the credit profile of KIL. As per the SOA, the company was in process to demerge its distribution segment into another company named KSR Footwear Limited (KFL) and retail segment will continue to remain under Khadim India Limited.

CARE Ratings Limited has now removed the rating watch with developing implications on account of completion of demerger process with KFL (Distribution segment) getting listed in November 27, 2025 and fresh debt of Rs.32 crore being sanctioned to KFL.

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 H1FY26 albeit moderation in operating margins due to higher discounts given to push sales volume, a wide retail 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 management articulation that the institutional debtors to be received by next FY.

However, ratings are tempered by a moderate capital structure, profits susceptible to volatility in raw material prices, 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

- Increasing scale of operation (>500 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.
- Deterioration in operating cycle beyond 200 days on sustained basis.

Analytical approach: Standalone

Outlook: Stable

The stable outlook is driven by anticipated growth in sales volumes and improvement in profitability margins following the reduction in GST rate.

Detailed description of key rating drivers:

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

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.

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 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. The company plans to come up with various products under both open and closed footwear segment.

Wide presence through retail network, though concentrated in east India and south India: KIL has a PAN India presence through its retails stores 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 coming from the eastern region, followed by south India. In line with retail store network, sales 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 893 (886 stores as of March 31, 2025) stores as on September 30, 2025, comprising 210 company owned company operated (COCO) and 683 franchise stores. The company's focus is to push volume growth through slight reduction in MRP (partial benefit of GST rate being passed onto consumers) coupled with taking over operations of few of the underperforming franchisees in retail segment.

Satisfactory financial performance in H1FY26 albeit moderation in operating margins: In FY25, KIL's total operating income (TOI) moderated slightly to Rs. 418.03 crore from Rs. 426.25 crore in FY24 primarily driven by muted performance of franchise stores and closure of few loss-making Company Owned & Company Operated stores. Also, the company focused on pushing sales volume through slight reduction in Average Selling Price (ASP). ASP declined by 2.22% in FY25 from Rs.539/pair in FY24 to Rs. 527/pair in FY25 in retail segment. This resulted in moderation in operating profitability from 17.69% in FY24 to 15.59% in FY25. However, PAT margin moderated slightly from 5.47% in FY24 to 4.61% in FY25 amid lower interest cost and higher non-operating income.
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. As articulated by management, the company has taken over 30 such stores till date and has witnessed sales improvement ranging between 20-30% for such stores.
During H1FY26, the company reported TOI of Rs. 197.30 crore with a PBILDT margin of 13.24%, lower than TOI of Rs.213.99 crore and PBIDT margin of 15.52% reported in H1FY25. The moderation in margins was primarily attributable to higher discounts offered during July and August 2025, which were withdrawn in September 2025 in the Eastern region, while continuing in other regions due to subdued demand conditions.
Earlier in January 2022, GST on footwear below Rs. 1000/pair was increased from 5% to 12% impacting demand. In September 2025, GST on footwear upto Rs. 2500/pair has been reduced to 5%. The company has passed on GST rate cut on existing inventory and increased prices marginally on new inventory.
Management expects recovery in demand during festive and wedding season coupled amid reduction in GST rate. Moreover, improvement in margins is expected from Q3FY26 onwards with part withdrawal of discounts and marginal increase in prices post reduction in GST rate.

Key weaknesses

Moderate capital structure with satisfactory debt potential metrics: Although the leverage structure of the company improved slightly marked by overall gearing from 1.36x in FY24 to 1.18x in FY25 mainly on account of reduction in lease liability, it continued to remain moderate. Debt protection metrices remained satisfactory marked by interest coverage at 2.62x (P.Y. 2.65x) and TD/GCA stands at 6.31x in FY25 (P.Y. 6.37x).
Although overall gearing has improved to 1.00x in H1FY26; however, debt protection metrics like interest coverage and TD/GCA moderated to 1.97x and 7.82x primarily due to dip in profitability margins amid discounts given to push sales.

Margins susceptible to volatility in raw material prices: 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% to Rs.527 in FY25. In H1FY26, ASP improved marginally to Rs.530.

Working capital intensive nature of business: Due of large no. of SKUs, the company's inventory requirements remain high. With moderate demand, the company has to extend higher credit period to its franchisees. Apart from the above, the company also had accumulated GST to the tune of ₹13 crore (retail) as of March 2025 and long-pending debtors worth ₹35 crore from its institutional sales (₹35 crore from Punjab government), which added to the intensity. This has led to inventory holding period of 141 days and collection period of 153 days in FY25.
Excluding the long pending institutional debtors, the collection period stands at 122 days in Mar'2025. Owing to its established market position, KIL is also able to negotiate better credit terms from its suppliers with creditor days standing at 144 days in FY25.
The management has articulated that GST amount has reduced significantly in H1FY26 and has minimal o/s currently. Moreover, 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. Earlier, the case was pending at District Court which gave a judgement to transfer the case to Punjab High Court (Commercial Bench) since it is a commercial case. Hearing is being conducted in Punjab High Court with next hearing being due in January 2026. The management expects the order within FY26 and subsequent realization of debtors in FY27.

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 81% for past 12 months ending November 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.

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

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Retail
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

Khadim India Limited (KIL), incorporated in 1981, is engaged in manufacturing, wholesaling & retailing of footwear & related accessories. KIL has a strong retail model with a total of 893 (8886 stores as of March 31, 2025) stores as on September 30, 2025, comprising 210 company owned company operated (COCO) and 683 franchise stores

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	H1FY26(UA)
Total operating income	426.3	418.03	197.30
PBILDT*	75.4	65.15	26.12

Profit after tax (PAT)	23.33	19.26	2.54
Overall gearing (x)	1.36	1.18	1.00
Interest coverage (x)	2.65	2.62	1.97

A: Audited UA: Unaudited; Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax

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; Stable
Fund-based - LT-Stand by Limits	-	-	-	-	4.00	CARE BBB; Stable
Fund-based - LT-Term Loan	-	-	-	July 2028	26.45	CARE BBB; Stable
Non-fund-based - ST-Bank Guarantee	-	-	-	-	6.00	CARE A3+
Non-fund-based - ST-Forward Contract	-	-	-	-	0.50	CARE A3+
Non-fund-based - ST-Letter of credit	-	-	-	-	25.00	CARE A3+

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; Stable	1)CARE BBB (RWD) (03-Jul-25)	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+	1)CARE A3+ (RWD) (03-Jul-25)	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; Stable	1)CARE BBB (RWD) (03-Jul-25)	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+	1)CARE A3+ (RWD) (03-Jul-25)	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+	1)CARE A3+ (RWD) (03-Jul-25)	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; Stable	1)CARE BBB (RWD) (03-Jul-25)	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 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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About us:

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