

P A Footwear Private Limited

January 07, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	22.00	CARE BBB+; Stable / CARE A3+	Reaffirmed
Short-term bank facilities	25.50	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of PA Footwear Private Limited (PAF) continue to derive strength from its experienced promoters, integrated nature of operations and its long-standing affiliation with reputed clientele. Ratings continue to be supported by its strong financial profile, including low gearing, healthy debt coverage indicators, and comfortable liquidity. Ratings are also constrained by the concentration of business from a few key clients and susceptibility of the profitability margins to volatile raw material prices. Additionally, operating challenges persist owing to the recent tariff announcement by the US, the company's key export market, which has raised the total effective duty on India leather product imports to 58.5 - 60%.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations above ₹300 crore with profit before interest, lease rentals, depreciation and taxation (PBILDT)% above 5% on a sustained basis.
- Reduction in single client concentration.

Negative factors

- Significant reduction in scale of operations below ₹150 crore.
- Increase in total debt to PBILDT TD/PBILDT) above 4x on a sustained basis.
- Elongation in debtors beyond 180 days.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CareEdge Ratings) believes that the company's operations will continue to remain stable in the medium-term deriving benefit from long-standing promoters' experience in the leather export business.

Detailed description of key rating drivers:

Key strengths

Experienced promoters and proven operational track record

S V Kumaraguruparasamy started PAF in 1987 along with Anbumalar as a shoe upper manufacturing company with a capacity of 500 pairs per day in Gummidipondi. In 2002, the company started a full shoes division in Red Hills with a capacity of 500 pairs per day. The company also has its own tanning division in Ranipet for dyeing imported wet blue, primary raw material for its shoe upper division. S V Kumaraguruparasamy has over three decades of experience in this line of activity and takes care of business development and procurement. With nearly three decades of experience in this business, Anbumalar takes care of tannery operations; Siva Vilva Selvan, associated with the company since 2001, handles operation of the full shoe division; and Kuzhahan, who has been associated with the company since 2008, handles operations of the shoe upper division.

Integrated nature of operation

PAF started as a company to manufacture shoe uppers. Over the years, PAF integrated backward with two tanneries supporting production of shoe uppers and forward integration with full shoe manufacturing unit. PAF currently has seven manufacturing facilities in total, with three units in Gummidipondi to manufacture shoe uppers, two tanneries in Ranipet, one full shoe unit in Cholavaram, and a new cut-to-pack unit in Periyapalayam. Tanneries in Ranipet have a total capacity to process 18000 lakh sq. ft of wet blue. The shoe upper unit and full shoe unit has a manufacturing capacity of 9000 pairs per day. Presence in three stages

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

of value chain allows the company to capitalise on business opportunities at each stage of the product separately as well. Capacity utilisation in H1FY26 stood at 49% for shoe uppers and 44% for full shoes units and 37% for leathers.

Long-standing association with reputed clientele

PAF's exports constitute over 89% of its TOI in FY25 (PY: 97%). PAF has a long-standing association with their major clients, such as C&J Clarks, Kickers and Euroka, spanning period of one to three decades. PAF continues to receive orders from these clients and continues to be one of the major suppliers for these clients. As on date, PAF has outstanding orders of ₹143 crore and established relationship is expected to facilitate PAF in getting repeated orders in the forthcoming period as well.

Comfortable capital structure

The company continued to remain net debt negative as on March 31, 2025. The company has no term debt, with borrowings limited to working capital facilities. Overall gearing remains comfortable at 0.21x as of March 31, 2025 (PY: 0.02x) and expects to remain comfortable as there is no debt-funded capex envisaged in the near term.

Key weaknesses

Subdued earnings performance with signs of recovery

The company's operating scale declined by ~31% in FY24, primarily due to a slowdown in export markets and inventory rationalisation by key customers. While the scale of operations recovered in FY25, with growth of ~20% to ₹217.29 crore, supported by improved demand in key markets, profitability remained weak, with net losses widening to ₹5.33 crore. To support higher order inflows, the company increased its workforce in FY25, however, lower productivity in the initial ramp-up period resulted in elevated overtime and related costs, which weighed on earnings during the period. However, operating performance improved in H1FY26, with TOI increasing to ₹159 crore (H1FY25: ₹110 crore) and PBILDT margins improving to ~4%. Over the medium term, the full utilisation of semi-automated lines and ongoing cost-optimisation initiatives are expected to enhance operating efficiency and support a gradual improvement in profitability.

High client and geographic concentration risk amid tariff headwinds

PAF is an export-oriented entity with revenues concentrated in the UK (40%) and the US (28%), followed by France (7%) and other markets. The risk profile has been impacted by the imposition of reciprocal US tariffs, which has increased the effective duty on Indian leather products to ~58.5–60% and weakened price competitiveness against peers in other exporting countries such as Vietnam and Cambodia. However, the tariff impact is partly mitigated through sharing of cost pressures with nominated suppliers, benefits from favourable INR movement in the recent past, and geographical diversification, particularly exports to the UK under a favourable FTA regime. In addition, the company is evaluating structural measures to optimise the assessable import value in the US market. Long-standing relationships with key customers support the order visibility in the medium term, as reflected in 30% YoY growth in US exports and 27% growth in non-US markets in 8MFY26. However, client concentration remains elevated, with the top three customers contributing 72% of TOI in FY25 and a single customer accounting for ~55%, with business performance continuing to depend on the prospects of these customers.

Susceptibility of margins to volatile raw material price

PAF's profitability depends to a large extent on movement in raw material prices. PAF's raw materials, such as wet blue, soles, insoles are primarily imported from China, Taiwan, and Vietnam. This is mitigated to a certain extent with top buyers identifying local sources from Punjab, and Bangalore, among others, for purchase of stores and raw materials, in those cases price volatility is absorbed by buyers. Major raw material for leather - wet blue - is primarily imported and its price depends on availability of livestock and international demand for hide, which makes the price volatile. Clarks identified local sources from India for the procurement of raw materials hence share of imports has been declining over the years. The company maintains inventory for 3-4 months to mitigate the risk of short supply of quality raw material and volatile price movement. The company also has material cover of ~15 weeks on the purchase orders insulating the company from delays in delivery of raw material.

Liquidity: Adequate

The company has no long-term debt as of March 2025 and the average working capital utilisation for the 12-months ended September 2025 was ~30%. The company had unencumbered cash and bank balance of ₹36.48 crore as on March 31, 2025. The inventory holding period increased to 83 days in FY25 (PY: 77 days) due to higher inventory levels towards end of the year in preparation for the peak season from March to June.

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

PAF was incorporated on July 08, 1987, by S V Kumaraguruparasamy for manufacturing shoe uppers with a capacity of 500 pairs per day in Gumudipoondi. In 1992, they started full shoes division in Red hills with a capacity of 500 pairs per day. Later, they started their own tanning division in Ranipet for dying wet blue, imported from different countries, which is the primary raw material for their shoe upper division. PAF exports leather footwear to global brands and leading retailers based in the UK, EU, and the US. The company has an installed capacity to produce 9000 pairs per day of Shoes & Shoe Uppers and 18000 lakh sq.ft./day capacity to process wet blue. The processed leather/ wet blue is used as raw material for their shoe uppers division and these shoe uppers are used by their full shoe division. The company has windmills with installed capacity of 0.75 MW at Ulundurpettai.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	H1FY26 (UA)
Total operating income	180.87	217.29	159.54
PBILDT	6.68	0.04	6.53
PAT	-0.06	-5.33	NA
Overall gearing (times)	0.02	0.21	NA
Interest coverage (times)	3.12	0.02	2.08

A: Audited UA: Unaudited NA: Not available; 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/ ST-EPC/PSC		-	-	-	22.00	CARE BBB+; Stable / CARE A3+
Fund-based - ST-FBN / FBP		-	-	-	10.00	CARE A3+
Non-fund-based - ST-Bank Guarantee		-	-	-	0.50	CARE A3+
Non-fund-based - ST-Letter of credit		-	-	-	15.00	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/ ST-EPC/PSC	LT/ST	22.00	CARE BBB+; Stable / CARE A3+	-	1)CARE BBB+; Stable / CARE A3+ (04-Nov-24)	1)CARE A-; Stable / CARE A2 (04-Jan-24)	1)CARE A-; Stable / CARE A2 (27-Dec-22)
2	Non-fund-based - ST-Letter of credit	ST	15.00	CARE A3+	-	1)CARE A3+ (04-Nov-24)	1)CARE A2 (04-Jan-24)	1)CARE A2 (27-Dec-22)
3	Fund-based - ST-FBN / FBP	ST	10.00	CARE A3+	-	1)CARE A3+ (04-Nov-24)	1)CARE A2 (04-Jan-24)	1)CARE A2 (27-Dec-22)
4	Non-fund-based - ST-Bank Guarantee	ST	0.50	CARE A3+	-	1)CARE A3+ (04-Nov-24)	1)CARE A2 (04-Jan-24)	1)CARE A2 (27-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/ ST-EPC/PSC	Simple
2	Fund-based - ST-FBN / FBP	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple
4	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.

Contact us

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