OCTOBER 28, 2015

CARE REVISES RATINGS ASSIGNED TO BANK FACILITIES OF KHADIM INDIA LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	153.93 (reduced from 166.96)	**CARE BBB+ (Triple B Plus)**	Revised from CARE A- (Single A Minus)
Short term Bank Facilities	21.00 (enhanced from 15.50)	**CARE A2 (A Two)**	Revised from CARE A2+ (A Two Plus)
Total Facilities	**174.93 (Rupees One hundred seventy four crore and ninety three lacs)**		

Rating Rationale

The revision in ratings assigned to the bank facilities of Khadim India Ltd (KIL) takes into account deterioration in financial performance in FY15 (refers to the period April 1 to March 31) and deterioration in financial risk profile along with moderate liquidity condition. However, the ratings also factor in the improvement in financial performance of the company in Provisional 5MFY16.

The ratings continue to derive comfort from the experience of promoters, established position in the domestic footwear industry with satisfactory brand image, diversified product portfolio, wide distribution network and rationalization of production cost through outsourcing. The ratings are, however, constrained by working capital intensive nature of the business, risk of inventory write-down due to change in consumer taste and preference as well as highly fragmented and competitive nature of the footwear industry.

The ability of the company to stabilize the operations of newly opened stores and thereby improve profitability margin, efficiently manage its working capital and improve the liquidity position.

Background

Khadim India Limited (KIL), incorporated in 1981, is engaged in manufacturing & retailing of footwear & related accessories through 716 stores and retailing of gold jewellery. KIL discontinued the retailing of lifestyle products from January 21, 2015. In terms of revenue, footwear is the largest segment, accounting for 89.4% of net sales in FY15, followed by gold jewellery (8.4%) and lifestyle products (2.2%). In FY15, manufactured footwear accounted for 18.6% of total footwear sales whereas the others were met through outsourcing model.

In FY15, KIL reported a loss of Rs.18.66 crore (as against profit of Rs.10.7 crore in FY14) on a total operating income of Rs.462.56 crore (Rs.481.39 crore in FY14). In 5MFY16, KIL reported a PBT of Rs.16 crore on total operating income of Rs.251 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

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