

July 23, 2025

Farida Shoes Private Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based facilities - Term loan	4.17	1.27	[ICRA]BB+(Stable); reaffirmed
Short-term – Fund-based facilities	130.00	145.00	[ICRA]A4+; reaffirmed/assigned for enhanced amount
Short-term -Non-fund based facilities	5.00	5.00	[ICRA]A4+; reaffirmed
Short-term – Non-fund based Interchangeable limit – Letter of Credit	0.00	(15.00)	[ICRA]A4+; assigned
Long-term/short-term - Unallocated	3.91	0.00	-
Total	143.08	151.27	

*Instrument details are provided in Annexure-I

Rationale

The ratings reaffirmation on the bank lines of Farida Shoes Private Limited (FSPL) considers an expected modest improvement in operational and financial performances of FSPL over the medium term, supported by its established presence in the leather footwear segment, and continued association with reputed international footwear brands such as Clarks International, Marks & Spencer and Crocs through repeat orders. The ratings also favourably factor in the experience of FSPL's promoters spanning over five decades in the leather exports business, which has helped in acquiring new customers and growing its business over the years. FSPL currently derives around 20% of its operating income from the UK, and the expected implementation of the Free Trade Agreement (FTA) between India and the UK is likely to increase volumes exported to the UK over the medium term.

The ratings, however, remain constrained by the subdued demand for leather products in key export markets over the last two fiscals. After a 23% revenue decline in FY2024, FSPL's revenues were steady at Rs. 433.1 crore in FY2025 (provisional), with operating margins remaining flat in FY2025 at 4.9%. In FY2025, a bad debts write-off of Rs. 24.6 crore, pertaining to receivables from The Rockport Company LLC, resulted in net losses of Rs. 24.6 crore for the year. Moderation in retained earnings and an increase in working capital borrowings resulted in the weakening of leverage and coverage indicators. FSPL's Total Debt/OPBITDA weakened to 5.8 times in FY2025 compared to 4.9 times in FY2024, and the interest coverage ratio weakened to 1.8 times in FY2025 compared to 2.0 times in FY2024. The ratings also continue to be constrained by the intense competition in the leather footwear industry and vulnerability of its profits to regulatory risks, as well as any adverse movement in raw material prices. ICRA notes that FSPL has given a corporate guarantee for Rs. 10.0 crore as on March 31, 2025, towards debt availed by its Group entity, and would remain a key monitorable.

The Stable outlook on the long-term rating reflects ICRA's expectations of an improvement in revenues and profitability of FSPL. Further, the outlook underlines ICRA's expectations that the incremental capex, if any, will be funded in a manner that the company can durably maintain its debt protection metrics commensurate with its existing ratings.

Key rating drivers and their description

Credit strengths

One of the largest export players in organised leather footwear sector – FSPL is the flagship company of the Farida Group, one of the largest exporters in the leather footwear industry, with an operating income (OI) of Rs. 433.1 crore in FY2025 (PY- Rs. 448.8 crore). FSPL's established relationships with major multinational brands have aided in securing repeat orders and helped in mitigating competition from exporters in other countries.

Established track record in the leather business – FSPL has been manufacturing and exporting leather footwear over the last five decades. The extensive industry experience of the promoters has facilitated the acquisition of new customers and fostered business growth over the years.

Reputed client base – FSPL's customers include large multinational footwear companies, including Clarks International, Marks & Spencer, Crocs, Deichmann SE, etc. FSPL has long relationships with these companies, reflected in the repeat orders over the years.

Credit challenges

Concentrated customer profile and input cost pressure result in operating margins being lower than historical levels – The customer concentration risk in FSPL remains high, with 76% of OI received from the top 10 customers (against 72% in FY2024). However, established relationships with its customers mitigate the risk to an extent. Due to continued weak demand for leather footwear in the European and western markets (which contribute to around 74% of operating income of FSPL) and the increase in raw material costs not being fully passed on to its customers, the company's scale of operations had reduced over the last two fiscals. This resulted in lower operating profits in value terms and operating margins lesser than historical levels of 5.3%. Besides, bad debts written off for Rs. 24.6 crore, pertaining to receivables from The Rockport Company LLC, resulted in net losses of Rs. 24.6 crore in FY2025.

Financial profile characterised by moderate operating margin and weak coverage indicators – Operating margins of FSPL moderated by around 20 bps YoY to 4.9% in FY2025, due to increase in labour costs. A decrease in profit margins over the years and reliance on significant short-term external borrowings to support the company's operations resulted in weakening of coverage indicators. FSPL continues to have an elongated inventory holding period, funded through short-term borrowings and extended credit availed from its creditors. This, coupled with net losses incurred in FY2025, resulted in a reduction in the net worth to Rs. 94.7 crore as on March 31, 2025, compared to Rs. 119.2 crore as on March 31, 2024. The coverage indicators remained weak with an interest coverage ratio of 1.8 times and TD/OPBDITA of 5.8 times in FY2025.

Vulnerability to regulatory and price fluctuation risks – FSPL derived ~80% of its operating income in FY2025 from exports. The company's profitability is supported by export incentives and interest subvention under various schemes by the Government of India (GoI). Any adverse change in the export benefits received might impact the company's profitability and cost competitiveness of the company's products. Further, FSPL's margins remain exposed to fluctuations in raw material prices and exchange rates.

Fragmented and intensely competitive nature of the industry – FSPL faces intense competition from multiple branded footwear manufacturers and exporters as well as unorganised players, which limit its pricing flexibility and consequently, its ability to expand its operating margins. Long-term associations with reputed brands restrict its bargaining power, resulting in lower margins.

Liquidity position: Adequate

The liquidity position of FSPL is expected to remain adequate over the medium term, supported by expected net cash accruals of Rs. 10 - 12 crore in FY2026, and cushion in its working capital limits of Rs. 24.2 crore as on March 31, 2025. The fund-based working capital limits of FSPL had been enhanced by Rs. 15.0 crore to Rs. 145.0 crore in January 2025 and the average working capital limit utilisation stood at 89% over the last 12 months ending May 2025. The company has planned capex of Rs. 8.0 – 10.0 crore for FY2026, to be funded through internal accruals, and has debt repayment obligation of Rs. 1.3 crore.

Rating sensitivities

Positive factors – The ratings can be upgraded, if there is a healthy and sustained increase in revenues and profitability with improvement in liquidity profile and debt protection metrics. A specific credit metric that could lead to a rating upgrade include maintaining an interest coverage ratio of over 2.8 times, on a sustained basis.

Negative factors – The ratings could be downgraded, if there is a sustained pressure on the entity's operating performance, any large debt-funded capex, or an increase in the value of corporate guarantees extended to its Group or associate entities, which would adversely impact its liquidity and debt protection metrics.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Footwear
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

FSPL is the flagship company of the Farida Group, one of India's largest exporters of leather and leather goods. The Farida Group comprises 11 entities, with six in shoe manufacturing activities and the rest in manufacturing shoe components. FSPL was incorporated in 1976 to manufacture full leather shoes. The company operates out of its manufacturing units in Ambur, Vellore district, Tamil Nadu, with a capacity of 4.0 million pairs per year. M/s Farida Holdings Private Limited is promoted by Farida Group's Chairman, Mr. Rafeeqe Ahmed and family.

Key financial indicators

FSPL - Standalone	FY2024	FY2025*
Operating income	448.8	433.1
PAT	2.8	-24.6
OPBDIT/OI	5.1%	4.9%
PAT/OI	0.6%	-5.7%
Total outside liabilities/Tangible net worth (times)	2.2	3.0
Total debt/OPBDIT (times)	4.9	5.8
Interest coverage (times)	2.0	1.8

Source: Company, ICRA Research; * Provisional number; All ratios as per ICRA's calculations; Amounts in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current (FY2026)		Chronology of rating history for the past 3 years					
		Amount rated (Rs. crore)	July 23, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Term loans	Long-term	1.27	[ICRA]BB+ (Stable)	Jul 09, 2024	[ICRA]BB+ (Stable)	Apr 06, 2023	[ICRA]BBB- (Stable)	Mar 31, 2023	[ICRA]BBB- (Stable)
Fund based facilities	Short-term	145.00	[ICRA]A4+	Jul 09, 2024	[ICRA]A4+	Apr 06, 2023	[ICRA]A3	Mar 31, 2023	[ICRA]A3
Non-fund-based facilities	Short-term	5.00	[ICRA]A4+	Jul 09, 2024	[ICRA]A4+	Apr 06, 2023	[ICRA]A3	Mar 31, 2023	[ICRA]A3
Non-fund based Interchangeable limit – Letter of Credit	Short-term	(15.00)	[ICRA]A4+	-	-	-	-	-	-
Unallocated facilities	Long-term/ Short-term	0.00	-	Jul 09, 2024	[ICRA]BB+ (Stable) / [ICRA]A4+	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based facilities - Term loan	Simple
Short-term – Fund-based facilities	Simple
Short-term -Non-fund-based facilities	Very Simple
Short-term – Non-fund based Interchangeable limit – Letter of credit	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loans	FY2021	NA	FY2026	1.27	[ICRA]BB+(Stable)
NA	Fund based facilities	NA	NA	NA	145.00	[ICRA]A4+
NA	Non-fund-based facilities	NA	NA	NA	5.00	[ICRA]A4+
NA	Non-fund based Interchangeable limit – Letter of Credit	NA	NA	NA	(15.00)	[ICRA]A4+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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