October 10, 2025

Calsea Footwear Private Limited: Ratings upgraded and removed from Watch with Positive Implications; Stable outlook assigned; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Cash Credit	4.50	4.50	[ICRA]BBB (Stable); upgraded from [ICRA]BBB- and removed from Watch with Positive Implication; Stable outlook assigned
Interchangeable Limits^	(4.50)	(4.50)	[ICRA]A3+; upgraded from [ICRA]A3 and removed from Watch with Positive Implication
Export Packing Credit	0.00	100.00	[ICRA]BBB(Stable)/[ICRA]A3+; assigned
Term loan	15.00	0.00	-
Unallocated limits	9.50	15.50	[ICRA]BBB(Stable); upgraded from [ICRA]BBB- and removed from Watch with Positive Implication; Stable outlook assigned; assigned for enhanced amount
Total	**29.00**	**120.00**	

**Instrument details are provided in Annexure I; ^sublimit to fund based Cash Credit*

Rationale

In June 2025, ICRA had placed the ratings outstanding on the bank lines of Calsea Footwear Private Limited (CFPL) under Watch with Positive Implications due to an ongoing proposal to merge the footwear business division of its parent company, Tata International Limited (TIL), with CFPL. The merger was expected to offer synergistic benefits and potentially improve CFPL's credit profile.

The ratings action considers the recent conclusion of the merger based on the business transfer agreement entered in April 2025. CFPL has taken over the assets of TIL's footwear division, valuing the same at Rs. 309.9 crore (including Goodwill of Rs. 143.6 crore) on a slump sale basis settled though issuance of equity shares. The unsecured loans availed by CFPL for Rs. 42.6 crore from TIL were also settled through issuance of equity shares vide the aforesaid transaction. The business restructuring had resulted in an improvement in CFPL's capital structure with its net worth improving to Rs. 217.3 crore as of June 30, 2025, compared to the negative net worth of Rs. 84.0 crore as on March 31, 2025.

The ratings continue to be supported by the operational synergies, financial flexibility and need-based support derived by CFPL, for being a wholly-owned subsidiary of TIL. The ratings also consider the management's experience in the footwear business, and its improving business profile with foray into the athleisure segment amid slowdown in demand for leather footwear in recent years. The ratings are also supported by the company's moderately diversified geographical presence with around 60% of revenues derived from the domestic market and around 40% from the export market in 5M FY2026, post the recently concluded merger. CFPL is expected to register a healthy revenue growth in the current fiscal, supported by incremental revenue generated from the athleisure segment. In Q1 FY2026, CFPL (post the merger of TIL's footwear division) registered an operating income of Rs. 129.5 crore and incurred losses of Rs. 8.5 crore due to one-time acquisition related cost of Rs. 6.5 crore incurred during the period. However, with the ramp-up of operations, CFPL's margins are expected to improve over the medium term, supporting an improvement in its coverage indicators.

The ratings, however, remain constrained by CFPL's moderate financial profile, affected by demand slowdown in key export markets and intense competition in the footwear manufacturing business, which limits its pricing flexibility and restricts benefits arising from the economies of scale. CFPL continues to remain dependent on borrowings from its parent company to support its operations. However, the same is expected to improve over the medium term.

The Stable outlook on the long-term rating factor in ICRA's expectation that the company's revenues and earnings are likely to improve in the near-to-medium term with an improvement in volumes processed in the athleisure segment. Besides, no major debt-funded capex plan in the near-to-medium term would support an improvement in debt-protection metrics, going forward.

Key rating drivers and their description

Credit strengths

Established track record and experienced management – Following TIL's 100% acquisition of CFPL from Moveon Componentes e calcado (Moveon) in November 2018, the company became a direct subsidiary of TIL, one of the leading exporters of leather and leather products in India. Further, CFPL manufactured women's footwear under TIL till early FY2024 but has shifted its focus towards manufacturing athleisure footwear. In the current fiscal, TIL consolidated its footwear business by merging TIL's footwear segment with CFPL under a single entity. CFPL currently caters to the requirements of men's and children's footwear.

Operational synergies and financial flexibility derived for being a part of TIL – CFPL derives strong operational and financial support from TIL, as evident from the timely infusion of unsecured loans. In addition to funding support offered in the past, till the disbursement of enhanced banking limits sanctioned to CFPL, TIL has extended additional unsecured loans of Rs. 127.7 crore as of June 30, 2025, and is expected to provide need-based support to CFPL.

Moderation in customer and geographical concentration – With the recently concluded merger and the ramp-up of revenue from the athleisure segment, CFPL has generated revenues of Rs. 129.5 crore in Q1 FY2026, compared to Rs. 56.9 crore in FY2025. CFPL's scale of operations has improved in Q1 FY2026, and it has diversified its customer base with the addition of customers from TIL's footwear segment, deriving around 45% of revenues from the top 3 customers. Besides, the entity currently generates around 60% of its revenues from the domestic market and the balance from exports to the UK and the EU compared to entire revenues earned from the domestic market in FY2025. This has resulted in a moderation in customer and geographical concentration risk to an extent.

Credit challenges

Subdued earnings in FY2025; likely recovery in FY2026 – CFPL reported subdued earnings in FY2025 due to a global demand slowdown in key export markets, lower sales from the newly set-up athleisure segment, and discontinuation of the ladies' footwear segment in FY2024, which was a significant revenue contributor for CFPL. Nevertheless, the company's operating performance is expected to improve from FY2026 with the recently concluded merger and incremental revenue generated from the profitable athleisure segment.

Moderate capital structure with elongated working capital cycle – Following the merger of TIL's footwear segment with CFPL, and the allotment of additional shares for Rs. 309.9 crore to TIL, CFPL's net worth has improved to Rs. 217.3 crore as of June 30, 2025, compared to a negative net worth as on March 31, 2025. The gearing level of CFPL also improved to 0.6 times as on June 30, 2025. TIL's footwear segment had transferred a debt of Rs. 79.7 crore and a lease liability of Rs. 10.2 crore to CFPL as part of the merger. Until the disbursement of enhanced banking limits of Rs. 100.0 crore sanctioned to CFPL, TIL has provided additional unsecured loans worth Rs. 127.7 crore as of June 30, 2025. CFPL's operations continue to be working capital intensive, primarily due to high inventory holding requirements and credit extended to customers. Creditor days stood at 162 in Q1 FY2026, compared to 734 for CFPL (prior to the merger) in FY2025. Previously, the higher creditor days were primarily due to payables owed to TIL as of March 31, 2025.

Fragmented and intensely competitive nature of the industry – CFPL 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 margins. This apart, association with reputed brands restricts its bargaining power, impacting the margins.

Liquidity position: Adequate

The liquidity position of CFPL is expected to be adequate, supported by cash generated from operations, free cash and liquid investments of Rs. 24.1 crore as on June 30, 2025, and sanctioned working capital limits of Rs. 100 crore likely to be disbursed in October 2025. During the interim period, till receipt of the sanctioned limits from the bank, CFPL has availed an unsecured loan from TIL worth Rs. 127.7 crore as on June 30, 2025. The funding gap over the years was met through need-based support received from TIL, given its status as a subsidiary. ICRA, however, notes that the profitability of CFPL is expected to improve in FY2026 with various measures undertaken by the entity. This, along with a minimal repayment obligation of Rs. 1.9 crore in FY2026, which has been repaid as on date, and efficient working capital management remains crucial from the liquidity perspective.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if there is a further improvement in the credit profile of the parent. The ratings could also be upgraded if there is a significant improvement in the company's scale of operations and profits, while maintaining comfortable liquidity profile and debt protection metrics.

Negative factors – ICRA could downgrade the ratings if there is any adverse change in the ownership of the company or a reduction in the extent of support provided by TIL or if the credit profile of the parent weakens considerably. The ratings could also be downgraded if the company continues to face growth challenges and experiences a sustained deterioration in profitability.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Footwear
Parent/Group support	Parent Company: Tata International Limited (TIL) Given the 100% ownership and demonstrated track record of operational and financial support from TIL, ICRA expects such need-based support from the parent to continue to protect its reputation from the consequences of a Group entity's distress
Consolidation/Standalone	Standalone financial statement of the issuer

About the company

CFPL is a manufacturer and exporter of footwear based out of Walajapet, Vellore (Tamil Nadu) working on the made-to-order basis. The company commenced operations in 2006, with a full-shoe manufacturing facilities in Vellore. After the acquisition of a predominant stake in Move on Componentes e calcado (Moveon) by TIL, CFPL has been operating as TIL's subsidiary since May 2011. In November 2018, TIL purchased 100% share of CFPL from Moveon and CFPL became a direct subsidiary of TIL. Euro Shoe Components Limited, a subsidiary of TIL was merged with CFPL in October 2019.

With effect from April 1, 2025, TIL's footwear segment has been merged with CFPL. At present, CFPL has a capacity to manufacture around 4.5 million pair per annum and has 12 facilities located in and around Vellore, Tamil Nadu. Additionally, CFPL has capacities to manufacture 13,500 soles per day (under Euro Shoe Components division).

Key financial indicators (audited)

CFPL – Standalone	FY2024	FY2025	Q1 FY2026*
Operating income	54.8	56.9	129.5
PAT	-21.4	-12.4	-8.5
OPBDIT/OI	-16.8%	3.4%	3.8%
PAT/OI	-39.0%	-21.8%	-6.6%
Total outside liabilities/Tangible net worth (times)	-1.9	-1.7	1.7
Total debt/OPBDIT (times)	-5.5	23.9	7.2
Interest coverage (times)	-0.8	0.2	1.1

*Source: Company, ICRA Research; * Provisional numbers post-merger of TIL's footwear division with CFPL; All ratios as per ICRA's calculations; Amount 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	Current ratings (FY2026)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Oct 10, 2025	Date	Rating	FY2025		FY2024		FY2023	
						Date	Rating	Date	Rating	Date	Rating
Domestic / Export Credit Facility	Long term	-	-	-	-	-	-	Mar 21, 2024	[ICRA]BBB- (Stable)	Dec 26, 2022	[ICRA]BBB- (Stable)
Cash Credit	Long term	4.50	[ICRA]BBB (Stable)	Jun 10, 2025	[ICRA]BBB- Rating Watch with Positive Implications	-	-	-	-	-	-
Domestic / Export Credit Facility	Long term	-	-	-	-	-	-	-	-	Dec 26, 2022	[ICRA]BBB- (Stable)
Interchangeable Limits^^	Short term	-	-	-	-	-	-	Mar 21, 2024	[ICRA]A3	Dec 26, 2022	[ICRA]A3
Interchangeable Limits ^	Short term	(4.50)	[ICRA]A3+	Jun 10, 2025	[ICRA]A3 Rating Watch with Positive Implications	-	-	-	-	-	-
Non-Fund-based Facility	Short term	-	-	-	-	-	-	Mar 21, 2024	[ICRA]A3	Dec 26, 2022	[ICRA]A3
Unallocated limits	Long term	15.50	[ICRA]BBB (Stable)	Jun 10, 2025	[ICRA]BBB- Rating Watch with Positive Implications	-	-	Mar 21, 2024	[ICRA]BBB- (Stable)	-	-

Term loan	Long term	-	-	Jun 10, 2025	[ICRA]BBB- Rating Watch with Positive Implications	-	-	Mar 21, 2024	[ICRA]BBB- (Stable)	-	-
Export Packing Credit	Long term/ Short term	100.00	[ICRA]BBB (Stable)/ [ICRA]A3+	-	-	-	-	-	-	-	-

^sublimit to fund based Cash Credit; ^^sublimit of Domestic / Export Credit Facility

Complexity level of the rated instruments

Instrument	Complexity indicator
Cash Credit	Simple
Export Packing Credit	Simple
Interchangeable Limits ^	Very Simple
Term Loan	Simple
Unallocated limits	Not Applicable

^sublimit to fund based Cash Credit

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	Cash Credit	NA	NA	NA	4.50	[ICRA]BBB (Stable)
NA	Interchangeable Limits^	NA	NA	NA	(4.50)	[ICRA]A3+
NA	Unallocated limits	NA	NA	NA	15.50	[ICRA]BBB (Stable)
NA	Export Packing Credit	NA	NA	NA	100.00	[ICRA]BBB (Stable)/ [ICRA]A3+

Source: Company; ^sublimit to fund based cash

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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