

November 21, 2025

KH Exports India Private Limited: Ratings downgraded to [ICRA]A2+; removed from Rating Watch with Negative Implications

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Letter of Credit	90.00	90.00	[ICRA]A2+; downgraded from [ICRA]A1, removed from Rating Watch with Negative Implications
Credit Exposure Limit/ Loan Equivalent Risk	2.00	2.00	[ICRA]A2+; downgraded from [ICRA]A1, removed from Rating Watch with Negative implications
Bank Guarantee [^]	(5.00)	(5.00)	[ICRA]A2+; downgraded from [ICRA]A1, removed from Rating Watch with Negative Implications
Credit Exposure Limit [^]	(10.00)	(10.00)	[ICRA]A2+; downgraded from [ICRA]A1, removed from Rating Watch with Negative Implications
SBLC for Buyer's Credit [^]	(20.00)	-	-
Overdraft	0.15	0.15	[ICRA]A2+; downgraded from [ICRA]A1, removed from Rating Watch with Negative Implications
Unallocated Limits	32.85	32.85	[ICRA]A2+; downgraded from [ICRA]A1, removed from Rating Watch with Negative Implications
Total	125.00	125.00	

*Instrument details are provided in Annexure-I; [^]sublimit of Letter of Credit

Rationale

The rating action on the bank lines of KH Exports India Private Limited (KHEIPL) considers a weaker-than-expected profitability seen in FY2025, and a likely sustained weaker performance in FY2026, owing to a weak demand environment. KHEIPL's profitability has declined over the past three financial years due to cost pressure, mainly from the phased disposal of obsolete inventory and increase in director remuneration. The rating continues to remain constrained by KHEIPL's relatively higher customer concentration risk and its weak bargaining power against large international customers. The company is also exposed to geographical concentration risks as a major portion of its exports are made to the US and European markets. At present, KHEIPL generates 90-95% of its operating income from the export market, of which 50-60% of export revenues are generated from the US market (around 53% in FY2025), exposing the company to tariff-related uncertainties. Effective August 27, 2025, the US has added a punitive 25% duty on select Indian goods, pushing the effective tariff burden to around 50%, excluding pre-existing levies. ICRA understand that the entity has been able to pass on the impact due to rise in tariffs on orders in hand till February 2026. However, inability of the company to pass on the tariff hikes/penalties imposed by the US Government to its customers could impact its margins and remains a key monitorable. The company also remains susceptible to demand cyclicity in this key end-user market. KHEIPL is also prone to regulatory risks and the resultant operational disruption, with restrictions on sourcing of animal hides and stringent pollution control norms on effluents (generated during the tanning process), as well as any change in the state's labour laws. While KHEIPL has no fund-based borrowings, bank charges represent the cost incurred towards discounting its receivables and LC issuance charges. Owing to an increase in bill factoring charges and weak operating profitability, the interest coverage ratio continued to remain weak at 2.5 times in FY2025.

The rating, however, remains supported by KHEIPL's established position in footwear exports, its long relationship with globally reputed brands, and the considerable experience of its promoters. The rating also derives comfort from the integrated nature of KHEIPL's operations, which include an in-house tannery, sole manufacturing, and lining facilities. KHEIPL has a diverse

product offering in the leather products space that includes bags, shoes, belts, gloves, and other small leather products, which enable them to provide an array of products to its clientele. The operating income of the company grew by 8% on a YoY basis to Rs. 1,415.4 crore in FY2025 while its operating margin remained flat at 2.5%. In H1 FY2026, the entity reported an operating income of Rs. 728.0 crore with an OPBDITA margin of 2.7%.

Key rating drivers and their description

Credit strengths

Established player in the leather footwear/accessories business, led by experienced promoters – KHEIPL is one of the largest players in the Indian leather footwear/accessories export industry. The company is involved in manufacturing and export of leather footwear and leather accessories for more than seven decades. The company is a family promoted business, and the extensive industry experience of the promoters has facilitated growth of its business over the years.

Reputed clientele comprising top global brands in the industry – The company has an established customer base comprising reputed brands like Coach Manufacturing, Cole-Haan, Michael Kors, Ralph Lauren, etc. KHEIPL's customer churn rate has remained minimal over the years, indicating healthy relationships with clients.

Integrated operations, with the Group having its own tannery, sole manufacturing and lining facilities supporting profit margins – The integrated nature of the company's operations, with an in-house tannery, lining facilities, and manufacturing units, facilitates seamless operations. This leads to cost benefits arising from bulk procurement of raw materials and a reduction in the overall production cost. Bulk procurement ensures quality control and helps capture value addition across the supply chain. It also helps maintain product quality and ensures timely order fulfillment.

Diversified product portfolio spread across various leather-based products – KHEIPL's revenues are well diversified across the leather and leather goods spectrum following the merger of the tanning unit, shoe manufacturing unit, and leather gloves unit to the existing accessories manufacturing division of the Group in FY2013. The production mix depends on the demand for the product and its profitability. In FY2025, full leather shoes remained the company's mainstay, accounting for around 34% of the operating income, followed by leather bags accounting for around 26%, and gloves, belts, and other small leather products accounting for the remaining revenues.

Credit challenges

Weak financial performance in the last three fiscals moderating coverage indicators – Over the last three fiscals, the company has witnessed a moderation in its operating margins due to stagnant demand for leather products in key export markets. Additionally, cost pressures arising from the disposal of obsolete inventories and higher payouts towards director remuneration has moderated its operating margins over the last 3 fiscal ending FY2025. This weakening of profitability coupled with an increase in bank charges adversely impacted the coverage metrics of KHEIPL. Consequently, the interest coverage ratio declined to 2.5 times in FY2025 from the healthy level of 23.2 times observed in FY2022. The same is expected to improve over the medium term with a likely increase in the operating margins, following a recovery in demand for leather products.

Exposed to volatility in leather prices and rising labour costs – KHEIPL imports a large portion of its leather requirements in accordance with its customers' preferences and is thus vulnerable to volatility in leather import prices. Nevertheless, the company's ability to partly pass on the price fluctuations to its customers mitigates the risk to a large extent. Additionally, it witnessed a significant increase in labour costs in the last three fiscals, largely due to a rise in the minimum wage prescribed under labour laws in Tamil Nadu.

Exposed to high customer and geographical concentration risks – KHEIPL faces high customer concentration risk with its top three customers accounting for around 50% of its operating income. However, the company enjoys established relationships with these marquee customers, which have been awarding it with repeat businesses. However, association with reputed brands restricts its bargaining power. Limited presence of its own branded products (accounting for around 1% of revenue) reduces the scope for margin improvement. Further, KHEIPL is exposed to geographical concentration risk as the major portion

of its exports is made to the US and European markets. Effective August 27, 2025, the US Government has added a punitive 25% duty on select Indian goods including leather and leather products, pushing the effective tariff burden to around 50% when combined with pre-existing levies. ICRA understands that the entity has been able to pass on the impact due to a rise in tariffs on orders in hand till February 2026. However, inability of the company to pass on the tariff hikes/penalties imposed by the US Government to its customers could impact its margin and remains a key monitorable.

Exposure to changes in environmental regulations, power and labour issues – The leather industry is prone to regulatory risks with restrictions on the sourcing of animal hides and stringent pollution control norms on effluents generated during the tanning process, as well as any change in the state’s labour laws. As the manufacturing process is labour and power intensive, the company is also susceptible to issues related to power shortage and labour demands.

Liquidity position: Adequate

KHEIPL’s liquidity position is likely to be adequate, supported by adequate cash flow from operations, unencumbered cash and liquid investment of around Rs. 10.4 crore as on September 30, 2025, coupled with its debt free status and moderate capex plans, going forward. Further, its modest working capital intensity, driven by efficient receivables and inventory management, enables KHEIPL to maintain adequate liquidity position. The same is reflected by the moderate utilisation of non-fund-based limits in the 12-month period ending in September 2025 (average utilisation level of 23%).

Rating sensitivities

Positive factors – ICRA may upgrade the rating for KHEIPL if there is a sustained improvement in revenues and profitability levels, strengthening the company’s operating profile. The rating could also be upgraded if a reduction in the working capital intensity leads to a significant improvement in the liquidity profile of the company. Specific credit metric that could lead to a rating upgrade includes an interest coverage above 5.0 times on a sustained basis.

Negative factors – Pressure on the rating could arise if there is a material decline in revenue or weakening of profitability, or if any adverse change in the regulations impacts the sector. The rating could also come under pressure if a stretch in the working capital intensity adversely impacts the liquidity profile of the company.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Footwear
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the rating, ICRA has considered the standalone financials of KHEIPL.

About the company

KHEIPL, incorporated as Rabia Leather Industries Ltd. (Rabia) in 1985, is a 100% export-oriented unit with ISO 9001-2000 certification. The KH Group traces its origin to the tannery business set up by Mr. M.A. Khizar Hussain in 1947. Over the years, the Group has expanded manifold to include numerous companies involved in manufacturing of different leather products. During FY2014-FY2016, the Group undertook a restructuring exercise, whereby all the major entities of the Group were merged with KH Exports, which made the company one of India’s largest exporters of leather shoes and products. KHEIPL currently has 11 manufacturing units across various locations in Tamil Nadu, namely Poonamalle in Chennai and Ranipet in Vellore, with an overall built-up area of 18,00,000 square feet. The company has an in-house tannery, sole manufacturing, lining, and shoe assembling facilities.

Key financial indicators (audited)

KHEIPL Standalone	FY2024	FY2025	H1 FY2026*
Operating income	1,309.8	1,415.4	728.0
PAT	0.9	0.3	2.4
OPBDIT/OI	2.6%	2.5%	2.7%
PAT/OI	0.1%	0.0%	0.3%
Total outside liabilities/Tangible net worth (times)	0.5	0.7	0.6
Total debt/OPBDIT (times)	0.0	0.0	0.0
Interest coverage (times)	2.5	2.5	2.9

Source: Company, ICRA Research; *Provisional numbers; 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	Type	Current rating (FY2026)				Chronology of rating history for the past 3 years					
		FY2026				FY2025		FY2024		FY2023	
		Amount Rated (Rs Crore)	Nov 21, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Letter of Credit	Short Term	90.00	[ICRA]A2+	Sept 19, 2025	[ICRA]A1; Rating Watch with Negative Implications	Dec 18, 2024	[ICRA]A1	Sept 25, 2023	[ICRA]A1	Jun 30, 2022	[ICRA]A1+
Credit Exposure Limit/ Loan Equivalent Risk	Short Term	2.00	[ICRA]A2+	Sept 19, 2025	[ICRA]A1; Rating Watch with Negative Implications	Dec 18, 2024	[ICRA]A1	Sept 25, 2023	[ICRA]A1	Jun 30, 2022	[ICRA]A1+
Bank Guarantee*	Short Term	(5.00)	[ICRA]A2+	Sept 19, 2025	[ICRA]A1; Rating Watch with Negative Implications	Dec 18, 2024	[ICRA]A1	Sept 25, 2023	[ICRA]A1	Jun 30, 2022	[ICRA]A1+
Credit Exposure Limit*	Short Term	(10.00)	[ICRA]A2+	Sept 19, 2025	[ICRA]A1; Rating Watch with Negative Implications	Dec 18, 2024	[ICRA]A1	-	-	-	-
SBLC for Buyer's Credit*	Short Term	-	-	Sept 19, 2025	[ICRA]A1; Rating Watch with Negative Implications	Dec 18, 2024	[ICRA]A1	-	-	-	-
Overdraft	Short Term	0.15	[ICRA]A2+	Sept 19, 2025	[ICRA]A1; Rating Watch with Negative Implications	Dec 18, 2024	[ICRA]A1	-	-	-	-
Unallocated Limits	Short Term	32.85	[ICRA]A2+	Sept 19, 2025	[ICRA]A1; Rating Watch with Negative Implications	Dec 18, 2024	[ICRA]A1	Sept 25, 2023	[ICRA]A1	Jun 30, 2022	[ICRA]A1+

*Sublimit of Letter of Credit

Complexity level of the rated instruments

Instrument	Complexity Indicator
Letter of Credit	Very Simple
Credit Exposure Limit/ Loan Equivalent Risk	Very Simple
Bank Guarantee	Very Simple
Overdraft	Very Simple
Untied Limits	NA

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	Letter of Credit	NA	NA	NA	90.00	[ICRA]A2+
NA	Credit Exposure Limit/ Loan Equivalent Risk	NA	NA	NA	2.00	[ICRA]A2+
NA	Bank Guarantee*	NA	NA	NA	(5.00)	[ICRA]A2+
NA	Credit Exposure Limit*	NA	NA	NA	(10.00)	[ICRA]A2+
NA	Overdraft	NA	NA	NA	0.15	[ICRA]A2+
NA	Untied Limits	NA	NA	NA	32.85	[ICRA]A2+

Source: Company; *sublimit of Letter of Credit

[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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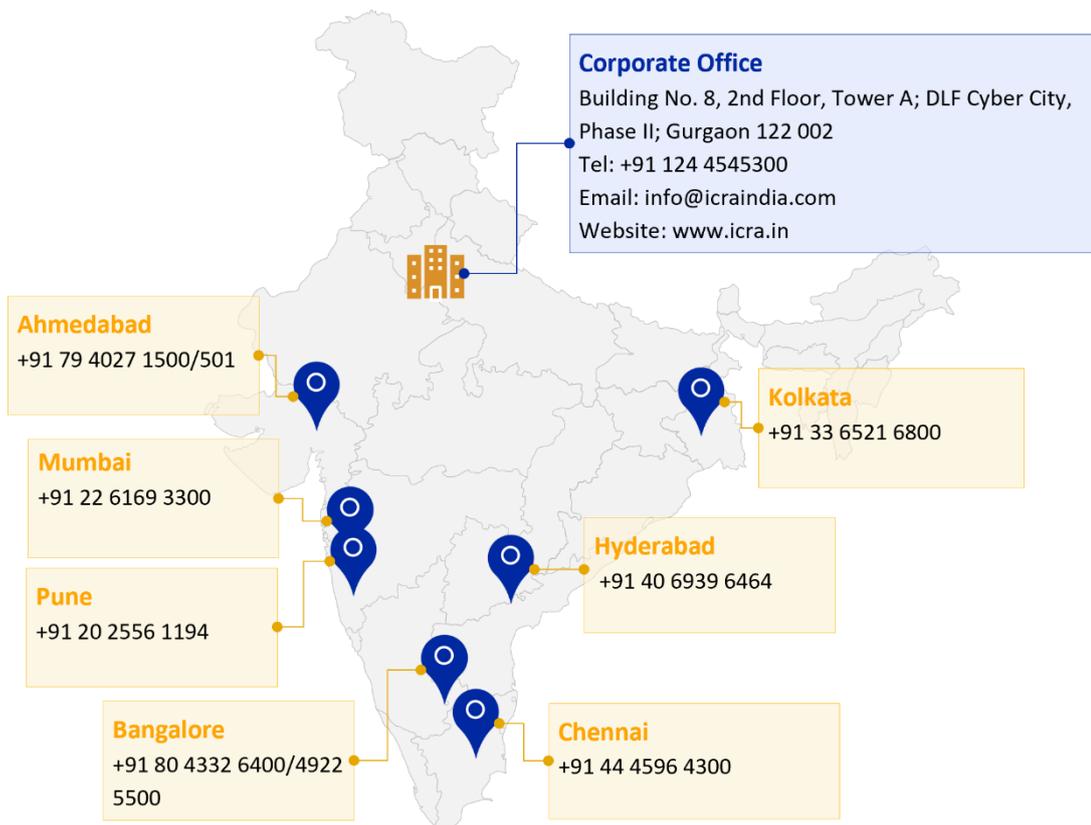
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