July 07, 2026

Farida Shoes Private Limited: Ratings reaffirmed; outlook revised to Negative

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating Action
Short-term – Fund-based facilities	145.00	145.00	[ICRA]A4+; reaffirmed
Short-term -Non-fund based facilities	5.00	5.00	[ICRA]A4+; reaffirmed
Short-term – Non-fund based interchangeable limit – Letter of credit	(15.00)	(15.00)	[ICRA]A4+; reaffirmed
Long-term/short-term – Unallocated limits	0.0	1.00	[ICRA]BB+(Negative)/[ICRA]A4+; reaffirmed and outlook revised to Negative from Stable
Long-term – Fund-based facilities - Term loan	1.27	0.00	-
Total	**151.27**	**151.00**	

**Instrument details are provided in Annexure-II*

Rationale

The rating action on the bank lines of Farida Shoes Private Limited (FSPL) considers a weaker performance in FY2026 owing to the US tariff impact. FSPL's operating income dipped by 27% on a YoY basis to Rs. 314.6 crore in FY2026 due to the US tariff impact and shifting of orders from Clark International to another entity forming part of the broader promoter group. The operating margin dipped by 180 bps to 3.1% in FY2026 owing to discounts offered to its US customers towards processing certain orders. FSPL derived around 28% (PY - 49%) of its operating income from the US market in FY2026 and reported net loss of 12.8 crore in FY2026. The ratings also remain constrained by the subdued demand for leather products in key export markets, erosion in net worth and an increase in bank borrowings resulting in weak coverage indicators. FSPL's free cash and liquid investments stood high at around Rs. 31.5 crore, owing to an LRD (Lease Rental Discounting) and working capital term loan (Credit Guarantee Scheme for Exporters) availed towards the end of FY2026. The proceeds from these loans were utilised towards reducing the working capital borrowings in the subsequent months. On an adjusted basis, the net debt/ OPDBITA stood at 12.5 times as on March 31, 2026 compared to 5.8 times as on March 31, 2025. The interest coverage ratio for the company weakened to 0.8 times as on March 31, 2026, from 1.8 times as on March 31, 2025, due to an increase in interest cost and a decrease in OPBITDA in value terms. ICRA notes that FSPL has given a corporate guarantee to one its Group entity for Rs. 8.5 crore as on March 31, 2026.

The ratings, however, remain supported by a likely improvement in operating margins of the entity over the medium term aided by cost-control measures undertaken by the entity, despite a weak performance of FY2026 due to the US tariff impact. With removal of the US tariffs from February 2026, the operating margins are likely to witness some recovery in FY2027. Additionally, with decline in scale of operations as a cost-control measure, from September 2025, the entity is operating on a single shift. FSBPL is planning to continue to operate on a single shift and increase its capacity utilisation levels in FY2027. The ratings also remain supported by its established presence in the leather footwear segment, and continued associations with reputed international footwear brands such as Marks & Spencer, Deichmann SE, etc., through repeat orders.

Key rating drivers and their description

Credit strengths

One of the largest exporters 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. 314.6 crore in FY2026 (FY2025- Rs. 432.9 crore). FSPL's established relationships with major multinational brands have aided in securing repeat orders and helped mitigate competition from exporters in other countries.

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

Reputed client base – FSPL's customers include large multinational footwear companies, including Marks & Spencers, Deichmann SE, etc. FSPL has long relationships with these companies, reflected in 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 71% of OI received from the top 10 customers (against 76% in FY2025). However, established relationships with its customers mitigate the risk to an extent. Due to subdued demand for leather products in key export markets and the recent US tariff impact, the company gave discounts to the extent of 15-20% to its customers. This resulted in lower operating profits in value terms and operating margins lower than historical levels, which stood at 3.1% in FY2026 (FY2025 – 4.9%).

Financial profile characterised by moderate operating margin and weak coverage indicators – FSPL's operating margins moderated by around 180 bps YoY to 3.1 % in FY2026, due to weak performance in terms of volume and value. A decrease in profit margins over the years and reliance on higher bank borrowings, weakened the 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 FY2026, resulted in a reduction in the net worth to Rs. 84.6 crore as on March 31, 2026, compared to Rs. 97.5 crore as on March 31, 2025. The coverage indicators remained weak with an interest coverage ratio of 0.8 times and net debt/OPBDITA of 12.5 times in FY2026.

Vulnerability to regulatory, tariffs and price fluctuation risks – FSPL derived around 84% of its operating income in FY2026 from exports. The company's profitability remains 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. The 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 free cash and balance of Rs. 31.5 crore as on March 31, 2026 and modest cushion in its working capital limits. The average working capital limit utilisation stood at 84% over the last 12 months ending March 2026. FSPL's free cash and liquid investments stood high at around Rs. 31.5 crore, owing to an LRD and working capital term loan (Credit Guarantee Scheme for Exporters) availed towards the end of FY2026. The proceeds from these loans were utilised towards reducing the working capital borrowings in the subsequent months. The company has planned capex of Rs. 10.0 crore for FY2027, to be funded through internal accruals, and has debt repayment obligation of Rs. 2.9 crore in FY2027 and Rs. 12.0 crore in FY2028.

Rating sensitivities

Positive factors – The outlook would be revised to Stable, 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 includes maintaining a debt service coverage ratio of more than 1.4 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 was incorporated in 1976 to manufacture leather shoes. 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. The company operates out of its manufacturing units in Ambur, Vellore district, Tamil Nadu, with a capacity of 2.6 million pairs per year. M/s Farida Holdings Private Limited is promoted by Farida Group's Chairman, Mr. Rafeeque Ahmed and family. From May 2026, after the passing of the Managing Director of FSPL, Mr. Irshad Ahmed, the day-to-day operations of the entity have been handled by Mr. Israr Ahmed (his brother).

Key financial indicators (audited)

FSPL - Standalone	FY2025	FY2026*
Operating income	432.9	314.6
PAT	-21.8	-12.8
OPBDITA/OI	4.9%	3.1%
PAT/OI	-5.0%	-4.1%
Total outside liabilities/Tangible net worth (times)	2.5	3.3
Total debt/OPBDITA (times)	5.8	15.7
Interest coverage (times)	1.8	0.8

*Source: Company, ICRA Research; * Provisional number; All ratios as per ICRA's calculations; Amount in Rs. crore*
PAT: Profit after tax; OPBDITA: 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 (FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	July 07 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Term loans	Long-term	0.00	-	July 23, 2025	[ICRA]BB+ (Stable)	Jul 09, 2024	[ICRA]BB+ (Stable)	Apr 06, 2023	[ICRA]BBB- (Stable)
Fund based facilities	Short-term	145.00	**[ICRA]A4+**	July 23, 2025	[ICRA]A4+	Jul 09, 2024	[ICRA]A4+	Apr 06, 2023	[ICRA]A3
Non-fund-based facilities	Short-term	5.00	**[ICRA]A4+**	July 23, 2025	[ICRA]A4+	Jul 09, 2024	[ICRA]A4+	Apr 06, 2023	[ICRA]A3
Non-fund based Interchangeable limit – Letter of Credit	Short-term	(15.00)	**[ICRA]A4+**	July 23, 2025	[ICRA]A4+	-	-	-	-
Unallocated facilities	Long-term/ Short-term	1.00	**[ICRA]BB+ (Negative) /[ICRA]A4+**	-	-	Jul 09, 2024	[ICRA]BB+ (Stable) / [ICRA]A4+	-	-

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA-rated instruments fall under the regulatory purview of various Financial Sector Regulators (FSRs), as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs ($)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, Fis	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) *Includes securitisation transactions involving assignee payout, acquirer's payout.*
($) *Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.*
(%) *These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026, and accordingly, investor side FSRs have been mentioned.*

Other activities offered by ICRA fall under the regulatory purview of various FSRs, as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI

5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)
9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) *The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.*

(#) *Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.*

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of FSRs other than SEBI.

Complexity level of the rated instrument

Instrument	Complexity Indicator
Short-term – Fund-based facilities	Simple
Short-term -Non-fund-based facilities	Simple
Short-term – Non-fund based Interchangeable limit – Letter of credit	Simple
Long term/Short term – Unallocated	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 II: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
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+
NA	**Unallocated limits**	NA	NA	NA	1.00	[ICRA]BB+ (Negative)/[ICRA]A4+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

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

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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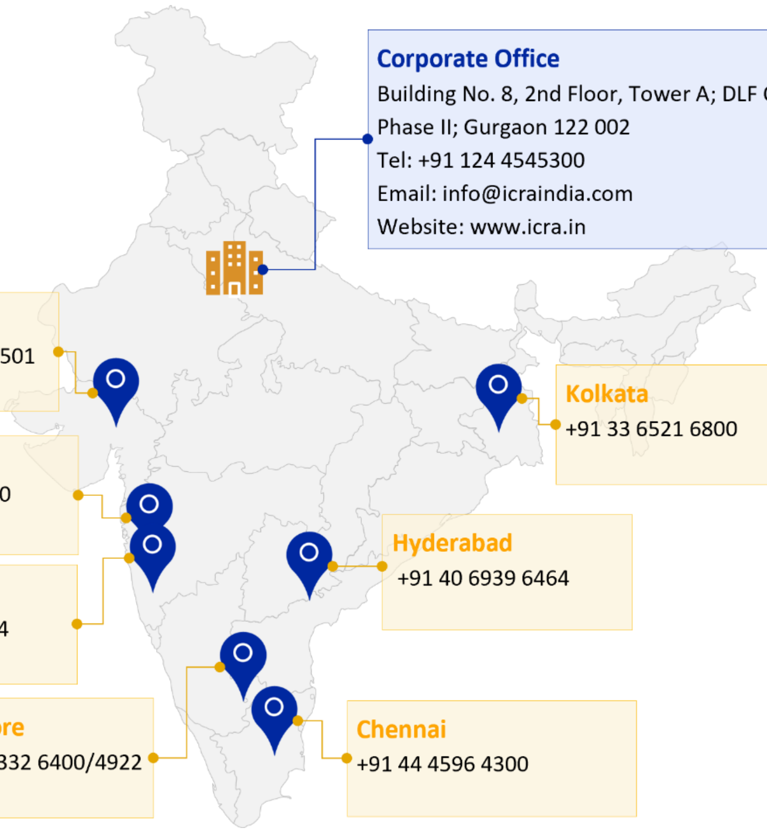

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