

June 15, 2010

**CARE REAFFIRMS RATING ASSIGNED TO THE BANK FACILITIES AND ASSIGNS 'BBB+' RATING TO NCD/TERM LOAN ISSUE OF KHADIM INDIA LTD.**

**Ratings:**

Facilities/Instrument	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	74.1	'CARE BBB+' (Triple B plus)	Reaffirmed
Short-term Bank Facilities	21.3	'PR3+' (PR three Plus)	Reaffirmed
<b>Total Facilities</b>	<b>95.4</b>		
NCD/Term loan	50.0	'CARE BBB+' (Triple B plus)	Assigned

**Rating Rationale**

The above ratings continue to derive strength from the experience of promoters, long track record of the company, established position in the domestic footwear industry, satisfactory brand image, diversified product portfolio, wide distribution network, rationalisation of production costs through outsourcing and comfortable gearing ratios. The ratings also take into account the significant improvement in profitability in 9MFY10. The ratings are however, constrained by the highly fragmented & competitive nature of the footwear industry leading to relatively low margin, loss incurred in large format retail stores in FY09 and partial funding of projects through high cost ICDs/short term debts resulting in low current ratio. Ability of the company to replace its high cost ICDs/short term debt with long term borrowings and successful performance of high margin products & new stores in near future will remain the key rating sensitivities.

**Company Profile**

KIL, incorporated in December 1981, has been in footwear business since inception. Its brand, 'Khadim'- with a legacy of more than 44 years, is a nationally popular brand. It also has a number of sub-brands (British Walkers, Sharon, Lazard, etc.) which have been launched in the recent years. The company also has a lifestyle retailing store 'Khadim Khazana'.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

KIL earned PBILDT of Rs.17.5 crore and PAT (after defd. tax) of Rs.2.0 crore on net sales of Rs.198.0 crore in FY09. The profitability of the company improved significantly in 9MFY10 with the shutdown of the loss making 'Egaro' stores and lower cost of sales.

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