



# Leather Goods & Footwear Industry

Working Capital Management & Financing Guide

# INDUSTRY OVERVIEW - KEY INSIGHTS

₹1.45 Lakh Cr

MARKET SIZE (2024)

11-12%

GROWTH RATE YOY

2nd Largest

GLOBAL STANDING

4.4 Million+

EMPLOYMENT BASE



**Global Production:** India accounts for 13% of world's production of hides and skins.



**Core Segments:** Footwear (47%), Garments (14%), Finished Leather (13%).



**Major Clusters:** Tamil Nadu, Kanpur, Agra, Kolkata, and Jalandhar.



**Export Markets:** Strong presence in USA, Germany, UK, and Italy.

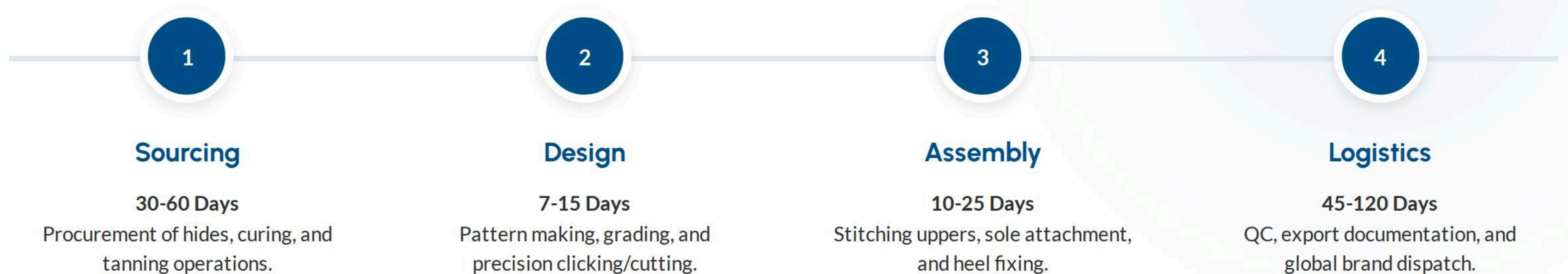


**Growth Drivers:** Fashion trends and rising e-commerce penetration.



**Non-Leather Shift:** Synthetic footwear segments growing at 15% CAGR.

# OPERATIONAL PROCESS IN MANUFACTURING



**Cash Conversion Note:** The extended logistics and invoicing phase (up to 120 days) creates a significant capital strain during the manufacturing of the next cycle.

# KEY RESOURCES & INPUTS



## Raw Materials

Hides/skins, Tanning chemicals, Synthetic fabrics, Soles, and specialized Adhesives.



## Physical Capital

Tanning drums, Hydraulic clicking machines, and Industrial stitching units.



## Human Capital

Skilled artisans, Chemical engineers, Pattern designers, and QC inspectors.



## Compliance

Environmental (ETP) and Social Audit (BSCI/LWG) standards for exports.

# SERVICE DELIVERABLES & REVENUE



## Footwear Portfolio

Formal shoes, sports sneakers, safety boots, and sandals for global and domestic retail.



## Leather Goods

Wallets, luxury handbags, belts, and premium travel luggage for export markets.



## Industrial Grade

High-durability safety gloves, aprons, and specialized saddlery for equestrian sports.



## Institutional Supply

Bulk manufacturing for security forces, healthcare institutions, and hospitality sectors.

# WORKING CAPITAL CYCLE ANALYSIS

**195**  
MAX DAYS

THE LIQUIDITY GAP



**Inventory (90-120 Days):** High due to leather aging and seasonal material procurement.



**Receivables (60-120 Days):** Global retail chains demand lengthy credit extensions.



**Payables (30-45 Days):** Suppliers and traders often require rapid settlements.

Manufacturers in this sector face the longest cash conversion cycle in fashion manufacturing, requiring specialized financing.

# CURRENT ASSET COMPOSITION

## Raw Material Inventory

Heavy stockpiling of quality hides and imported chemicals to mitigate supply chain volatility and price fluctuations.

## Work-in-Progress (WIP)

Large capital tied up in tanning drums and multi-stage stitching lines which cannot be liquidated quickly.

## Finished Goods

Seasonal inventory management for the Fall/Winter or Spring/Summer global collection launches.

## Trade Receivables

High concentration of credit due from international buyers and domestic digital e-commerce platforms.

# COMMON MISTAKES TO AVOID

- ❌ **High Rejection Rates:** Poor hide selection leading to excessive wastage during cutting.
- ❌ **Trend Over-stocking:** Locking cash in specific seasonal designs that may expire.

- ❌ **Ignoring Effluent Costs:** Underestimating daily O&M costs for mandatory water treatment plants.
- ❌ **Loose Credit Control:** Open-account credit for new exports without ECGC insurance cover.

## Strategic Mitigation

Adopt precision cutting technologies and ensure all international receivables are backed by letters of credit or export insurance.

# STANDARD WORKING CAPITAL BENCHMARKS

Component	Industry Standard (Days)	Critical Observations
Inventory (Raw + WIP)	90 - 120 Days	Seasonal procurement of raw hides
Domestic Receivables	45 - 60 Days	Standard for multi-brand retail
Export Receivables	90 - 120 Days	Dependent on global brands (Luxury segment)
Accounts Payable	30 - 45 Days	Raw skin traders require fast settlement
<b>Net Cash Gap</b>	<b>105 - 135 Days</b>	<b>Primary funding requirement zone</b>

# CUSTOMER CREDIT & PAYMENT TERMS

Domestic Retailers	30-45 Days
Global Retail Chains	60-90 Days
E-commerce Marketplaces	15-30 Days



## Smart Strategy

Leverage **Export Packing Credit (EPC)** to fund the high-cost manufacturing stage before the goods are shipped, ensuring continuous production without using core reserves.

# INDUSTRY THREATS & CHALLENGES



## Resource Scarcity

Fluctuations in the supply of high-grade skins impacting production schedules.



## Sustainability

Global mandates for chrome-free tanning and eco-friendly dye adherence.



## Synthetic Shift

Rising "Vegan Leather" and mesh footwear demand impacting traditional leather units.



## Logistics Costs

High freight volatility for exporting bulky footwear to EU and US markets.

# STRATEGIC FINANCING SOLUTIONS



## Unsecured Loans

Up to ₹5 Cr for procurement during peak seasons without collateral.



## EPC Funding

Specialized pre-shipment credit to manage long production cycles.



## Bill Discounting

Convert export/domestic receivables into immediate cash (10-15% PA).



## Machinery Loans

Funding for automated cutting and lasting units to improve efficiency.

## CGTMSE MSME Loans

Collateral-free funding for MSME footwear units up to ₹5 Cr with flexible repayment terms.



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