

## Condor Footwear (India) Limited

April 11, 2022

### Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term / Short Term Bank Facilities	28.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (Double B; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)	Revised from CARE BBB-; Stable / CARE A3 (Triple B Minus; Outlook: Stable / A Three) and moved to ISSUER NOT COOPERATING category
<b>Total Facilities</b>	<b>28.00</b> <b>(Rs. Twenty-Eight Crore Only)</b>		

*Details of facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Condor Footwear (India) Limited (CFIL) to monitor the rating vide e-mail communications dated March 31, 2022, April 04 2022, April 05 2022 and April 06 2022. However, despite our repeated requests, CFIL has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

The rating on CFIL's bank facilities will now be denoted as **CARE BB; Stable/CARE A4; ISSUER NOT COOPERATING\***.

### Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of non-availability of information regarding the operational and financial performance of the company during FY22. Further there is significant deviation between audited and provisional results for 2020-21 on the profitability parameters. Provisional financials for FY21 was considered for conducting the surveillance exercise during July 2021.

### Detailed description of the key rating drivers as per PR dated July 5<sup>th</sup>, 2021

#### Key Rating Strengths

#### ***Well-established track record of operations with established brand presence and distribution network***

CFIL has a long track record of over 25 years of operations in PU footwear manufacturing. Over the years of existence in the market, the company has established its brand presence and also connects with various customers and suppliers across pan India and also exports to European countries, Africa, United Arab Emirates, South America & Myanmar. The group has diversified presence across India with seven stock points present in Delhi, Kolkata, Jaipur, Rajkot, Mumbai, Vijayawada and Guwahati and a network of more than 150 distributors spread across country.

#### ***Highly experienced promoters with strong group support***

The overall operations of CFIL are looked after by directors Mr. Jaikishan Adnani, Mr. Virginio Fianza, Mr. Dipak Adnani, Mr. Ruggero Abbiati and Mr. Rakesh Adnani. Mr. Jaikishan Adnani (the managing director) has vast experience of four decades in the footwear industry and has been associated with the group since its inception. The company also benefits significantly from well-established position of Condor Trade SRL (Condor), an Italy based renowned global brand and has more than four decades of experience in manufacturing of PU footwear. Condor has its in-house research and development division with manufacturing facilities located at Poland and Ukraine. Condor provides technical support and new product developments ideas to CFIL.

#### ***Established relationship with diversified & reputed clientele and suppliers***

The company has been associated with a number of reputed customers since its inception thereby the counter-party risk gets mitigated to an extent on the back of healthy credit profile of these reputed clients. Moreover, the customer profile remained diversified with top 5 customers contributing 10.30% of net sales in FY21. Further, CFIL procures its raw materials from reputed suppliers thereby ensuring the uninterrupted supply of quality products along with the advantage of lenient credit terms.

#### ***Comfortable capital structure and moderate debt coverage indicators***

The capital structure of CFIL remained comfortable with the overall gearing stood at 0.29 times as on March 31, 2021. The debt coverage indicators witnessed deterioration due to losses suffered in FY21.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and in other CARE Ratings Ltd.'s publications

\*Issuer did not cooperate; Based on best available information

## Key Rating Weaknesses

### **Modest scale of operations**

The scale of operations of CFIL stood modest with total operating income (TOI) of Rs.103.10crore in FY21. The TOI has declined by over the last 2 years due to decline in number of pieces sold due to reduced demand from export and well as local market as they were impacted due to Covid – 19 outbreaks, followed with nation-wide lockdown imposed in India.

### **Highly working capital-intensive nature of operations**

The operations of the company remained highly working capital intensive in nature with majority of the funds blocked in receivables and inventory leading to high utilization of working capital limits. The collection period has elongated during past three years owing to lenient credit period given to its customers. Moreover, the company maintains high level of inventory due to large variety and sizes of the products therein. However, the same has continuously elongated due to lower offtake from its customers. However, although lenient credit received from its suppliers, the operating cycle remained highly elongated in the range of 261-404 days during FY18-FY21.

### **Foreign exchange fluctuation risk**

The company exports to European countries and imports from China, Hong Kong, Thailand and Italy. The profitability is exposed to fluctuations in foreign currency, as the company exports ~21% of total sales and imports ~42% of total purchases. Consequently, the company avails PCFC limit allowing hedging of foreign currency exposure. However, the foreign exchange risk continues to persist, since any adverse currency movements in the currency rates along with the timing differences would have a bearing on the purchase and sales costs of the company and eventually its profitability.

### **Operations in the highly competitive and fragmented industry**

CFIL operates in the highly competitive and fragmented footwear industry where it faces intense competition from other established players from organized and unorganized sectors in the footwear industry across domestic and international markets. Moreover, due to low entry barriers, the company also faces competition from the new entrants across the various regions in the domestic market. This is evidently reflected in the fluctuating profit margins, since the company is compelled to offer its products at competitive rates to its customers and also resulted in liberal credit policies adopted by the company.

### **Liquidity Analysis:** Stretched

The liquidity position remained stretched due to losses incurred during FY21. However, the cash credit limits of Rs.28crore is utilized to an extent of ~50% during the twelve months ended March 2022 and provides some liquidity backup. Further, the current ratio and quick ratio stood moderate at 1.89 times and 1.03 times respectively as on March 31, 2021.

### **Analytical approach:** Standalone

### **Applicable Criteria**

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

[Policy in respect of Non-cooperation by issuer](#)

### **About the Company**

Condor Footwear (India) Limited (CFIL), established in 1995 as a JV between Condor Trade S.R.L. (Condor Italy) and Adnani family (in the proportion of 51:49 respectively) and is engaged in manufacturing of polyurethane (PU) footwear mainly for ladies and girls with installed capacity of 187,50,000 pairs per annum. It markets its products under the Aerowalk, Inblu, Chips, and La Bella brands. The company has seven stock points present in Delhi, Kolkata, Jaipur, Rajkot, Mumbai, Vijayawada and Guwahati and a network of more than 150 distributors spread across country. It sells its products majorly in domestic market and exports to European countries, Africa, United Arab Emirates, South America & Myanmar. CFIL procures raw material from domestic market and also through imports from countries such as China, Korea, Hong Kong, Thailand and Italy. The company has its registered office and manufacturing facility at Sachin, Surat.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	9MFY22(UA)
Total operating income	119.81	103.10	NA
PBILDT	12.56	-11.69	NA
PAT	3.05	-18.15	NA
Overall gearing (times)	0.22	0.29	NA
Interest coverage (times)	4.22	-6.18	NA

A: Audited; UA: Un-audited; NA: not available

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT/ ST-Cash Credit		-	-	-	28.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-2023	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020
1	Fund-based - LT/ ST-Cash Credit	LT/ST*	28.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable / CARE A3 (05-Jul-21)	1)CARE BBB-; Stable / CARE A3 (04-May-20)	-

\*Long term/ short term

**Annexure-3: Detailed explanation of covenants of the rated facilities-** Not applicable

**Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT/ ST-Cash Credit	Simple

**Annexure 5: Bank Lender Details**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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