A-One Footarts Private Limited

November 17, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	12.00 (Enhanced from 7.00)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Long Term / Short Term Bank Facilities	10.00 (Enhanced from 4.00)	CARE BBB-; Stable / CARE A3 (Triple B Minus; Outlook: Stable/ A Three)	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Total Bank Facilities	**22.00 (₹ Twenty-Two Crore Only)**		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of A-One Footarts Private Limited (AFAPL) continue to derive strength from experienced management with its long track record of operations in the footwear industry and established marketing network. The ratings, further, continues to derive strength from its comfortable capital structure with moderate debt coverage indicators and adequate liquidity.

The rating, however, continues to remain constrained on account of its moderate albeit growing scale of operation with moderate profitability, susceptibility of profitability to volatile raw material prices and foreign exchange rate and its presence in the highly fragmented and competitive footwear industry.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Sustained increase in scale of operations of the company beyond Rs.150.00 crore
- Sustained improvement in operating margin beyond 12%
- Improvement in operating cycle to less than 60 days on sustained basis

Negative factors – Factors that could lead to negative rating action/downgrade:

- Any debt-funded project undertaken by the company which results in deterioration of capital structure more than unity
- Sustained decline in profitability margins over a period of time with registration of PBILDT margin below 6%.
- Deterioration in liquidity with elongation in operating cycle beyond 120 days

Detailed description of the key rating drivers

Key rating strengths:

Experienced management

Mr. Govind Kumar, Director, who is associated with this group since 1999. Mr. Ashok Kumar Bachani has experience of more than a decade and looks after production function of the company. Further, overall marketing and finance function of the company is managed by Mr. Shankar Lal Agarwal and Mr. Ravi Kumar who are also associated with the group since 1999. Further, the top management is assisted by 2nd tier qualified and experienced staff.

Long track record of operations and established marketing network

Being present in the industry since 1999, the group has long track record of operations and has established their presence in the domestic market over the period of time. Further, the group have also promoted other entities which include A-One Footwears Private Limited (AFWPL) which is engaged in manufacturing of ladies and children footwears, Indus Fine Arts Private Limited which is engaged in manufacturing of sports shoes and sandals under same brand name "Indus", Balaji Industries which is engaged into manufacturing of hawai chappal under the brand name of Indus Lite and Indus Footprints Pvt. Ltd. (IFPL) which is engaged into marketing of all footwears.

The group sells its product to its group concern, Indus Footprints Limited (IFPL) which in turn sells in the market under the brand name of "Indus" which is well known brand in footwear segment in tier II and tier III cities and rural markets and has established strong marketing network through more than 380 dealers spread across all over India. The company also exports

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

its products to some gulf countries and neighbouring countries. Sales through its group concern IFPL formed around 93% of sales in FY22.

Comfortable capital structure and moderate debt coverage indicators

The capital structure of the company continued to remain comfortable with an overall gearing of 0.61 times as on March 31, 2022 (P.Y.: 0.45 times). During FY22, total debt stood at Rs.19.52 crore (Rs.12.82 crore as on March 31, 2021), the increase is on availing of Guaranteed Emergency Credit line (GECL) of Rs.1.25 crore and higher working capital utilization; unsecured loans from the promoters and relatives stood at Rs.10.71 crore as on March 31, 2022 (Rs.10.18 crore as on March 31, 2021) out of which Rs.9.09 crore have been considered as quasi equity as same are subordinated to bank debt. The solvency position of the company is expected to remain comfortable with no major capex planned in near future.

Further, the debt coverage indicators of the company stood moderate with total debt to GCA and PBILDT Interest coverage of 4.23 times and 3.25 times respectively as on March 31, 2022.

Key Rating Weaknesses

Growing albeit moderate scale of operation along with moderate profitability

With the help of widely spread marketing network along with continuous geographic expansion and higher domestic demand, Total Operating Income (TOI) of the company has witnessed continuous growth and grew at a CAGR of 23% during FY18-FY22. During FY22, TOI has grown by 57% y-o-y and stood at Rs.125.15 crore as against Rs.79.72 crore on account of higher sales of men's footwear. It has sold 89.96 lakh number of pairs during FY22 as against 60.90 lakh number of pairs in FY21. During H1FY23, company registered sales of ~Rs.69.48 crore. However, overall scale had remained moderate.

The profitability of the company stood moderate with PBILDT margin and PAT margin of 5.80% and 2.60% respectively in FY22 as against 10.45% and 5.64% respectively in FY21 which had declined by 465bps over FY21, which was mainly on account of adverse impact on market sentiment due to Covid-19 pandemic which had impacted demand and also company was not able to pass on the raw material price increases to larger extend which had impacted the margins. PAT margin of the company also moderated by 303bps owing to proportionately higher interest and depreciation charges. GCA of the company stood moderate at Rs.4.61 crore in FY22 (P.Y: Rs.5.86 crore). Going forward, with improved market sentiments and further revival in demand with diminishing effect of the pandemic, the margins are expected to improve in next 1-2 year.

Susceptibility of profitability to raw material prices and foreign exchange rate

The major raw material for the company is PVC resins which is a crude oil derivative. Over the years, prices of crude oil have been volatile and so are the prices of polymers. Considering the volatility associated with the raw material prices and timing difference arising in procurement of raw material and realization of sales, exposes the company's operating margins to fluctuations. Thus, any adverse change in the prices of the raw material may affect the profitability margins of the company.

Further, the company also imports raw material which contribute 43% of raw material consumption in FY22 (23% in FY21) and hence, it exposed to foreign exchange rate. However, this risk is mitigated to an extent owing to export of its products. The company does not follow any active hedging policy in foreign currency.

Highly fragmented and competitive nature of footwear industry

AFAPL operates in the footwear industry which is highly fragmented and has various organized and unorganized players. The industry is labor intensive and requires low capital investment which resulted into low entry barriers. Further, the company has to face stiff competition from other reputed players in the industry. AFAPL also remains susceptible to continuous changes in manufacturing style and design and pricing from other footwear manufacturing players.

Liquidity: Adequate

Liquidity profile of the company stood adequate marked by healthy cash accruals as against low debt repayment obligations as well as has free cash & bank balance of Rs.1.36 crore as on March 31, 2022. Further, the company caters only to tier II and tier III city and owing to presence in highly fragmented and competitive industry it has to allow high credit period to its customers which also varies on cash discount allowed by the company which lies in the range of 2%-6%. However, the company also gets credit period of 60-120 days from supplier which results in moderate operating cycle of 61 days in FY22. Average utilization of working capital bank borrowing stood around 90-95% during past 12 months ended October, 2022. Liquidity ratio of the company stood moderate marked by current ratio of 1.39 times and quick ratio stood at 1.20 times as on March 31, 2022.

Analytical approach: Standalone

Applicable criteria

Policy on default recognition
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments

[Manufacturing Companies](#)
[Policy on Withdrawal of Ratings](#)

About the company

A-One Footarts Private Limited (AFAPL; CIN: U19201DL2011PTC253443) belongs to Alwar (Rajasthan) based A-One Group which was promoted by a group of friends. Initially, the group was running business in proprietorship firm under A-One Footwears (AFW) since 1999 and was engaged into manufacturing of both ladies and gents footwear. Subsequently, in 2011, the promoters have decided to segregate the ladies and gents segment and formed two companies for each segment i.e. A-One Footwears Private Limited (AFWPL, rated CARE BBB-; Stable/CARE A3) for ladies & children footwear and AFAPL for gents footwear. Further, the group has also incorporated another company i.e Indus Footprints Limited (IFPL) in August 2018 for marketing of products of both AFWPL and AFAPL under the common brand name (INDUS).
AFAPL is mainly engaged into manufacturing of Polyurethan (PU) based gents footwear. The manufacturing facility of the company is located at Khairthal, Alwar having overall installed capacity of 40,000 pairs per day of PU footwear as on March 31, 2022 which increased form 35,000 pairs per day of PU and PVC footwear as on March 31, 2021.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (Prov.)
Total operating income	79.72	125.15	69.48
PBILDT	8.33	7.26	4.43
PAT	4.49	3.26	2.83
Overall gearing (times)	0.45	0.61	0.45
Interest coverage (times)	5.02	3.25	3.60

A: Audited

Status of non-cooperation with previous CRA: CRISIL had reviewed the ratings of AFAPL under Issuer not cooperating category vide press release dated July 18, 2022.

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	12.00	CARE BBB-; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	10.00	CARE BBB-; Stable / CARE A3

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	12.00	CARE BBB-; Stable	1)CARE BBB-; Stable; ISSUER NOT COOPERATING* (17-May-22)	-	1)CARE BBB-; Stable (31-Mar-21) 2)CARE BB+; Stable; ISSUER NOT COOPERATING* (05-Mar-21)	1)CARE BB+; Stable (13-Dec-19)
2	Non-fund-based - LT/ ST-BG/LC	LT/ST*	10.00	CARE BBB-; Stable / CARE A3	1)CARE BBB-; Stable / CARE A3; ISSUER NOT COOPERATING* (17-May-22)	-	1)CARE BBB-; Stable / CARE A3 (31-Mar-21) 2)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING* (05-Mar-21)	1)CARE BB+; Stable / CARE A4+ (13-Dec-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/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-Cash Credit	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple

Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please click here

Note on complexity levels of the rated instruments: CARE Ratings 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 for any clarifications.

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