A-One Footwears Private Limited

November 17, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	13.87 (Reduced from 14.93)	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Short Term Bank Facilities	10.00 (Enhanced from 5.00)	CARE A3 (A Three)	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Total Bank Facilities	**23.87** **(₹ Twenty-Three Crore and Eighty-Seven Lakhs Only)**		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of A-One Footwears Private Limited (AFWPL) 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 comfortable solvency position with moderate debt coverage indicators and adequate liquidity.

The rating, however, continues to remain constrained on account of its growing albeit moderate scale of operations with moderate profitability, vulnerability of margins 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.250.00 crore
- Sustained improvement in operating margin beyond 10.00%
- 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. Mahesh Kumar, Director, has vast experience of around two decades in the footwear industry and looks after purchase function of the company. He is assisted by Mr Deepak Kumar who also has vast experience in the industry. Further, overall marketing and finance function of the company is managed by Mr. Shankar Lal Agarwal, Accounts & Finance Head, who is 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 Footarts Private Limited (AFAPL) which is engaged in manufacturing of gents 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 company sells its product to its group concern, Indus Footprints Limited (IFPL) who 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. It has established strong marketing network through more than 380 dealers spread across all over India. The company also exports its products to some gulf countries and neighboring countries.

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

During FY22, it has generated 94.51% of net sales through sales to its group concern majorly to Indus Footprints Pvt. Ltd (IFPL) as against 86.42% in FY21. It has sold 155.10 lakh number of pairs during FY22 as against 134.13 lakh number of pairs in FY21.

Comfortable capital structure and moderate debt coverage indicators

The capital structure of the company continued to remain comfortable with an overall gearing of 0.60 times as on March 31, 2022 (P.Y.: 0.48 times); marginal decline in gearing during FY22 is on account of higher increase in debt level vis-à-vis accretion of profit to reserve. During FY22, total debt stood at Rs.25.84 crore including LC Backed creditors of Rs.6.79 crore (Total debt of Rs.18.28 crore as on March 31, 2021 including LC Backed creditors of Rs.2.70 crore); the increase in overall debt is on account of higher working capital utilization of Rs.12.43 crore as on March 31, 2022 (Rs.8.90 crore as on March 31, 2021). Unsecured loans from the promoters and relatives stood at Rs.15.19 crore as on March 31, 2022 (Rs.15.04 crore as on March 31, 2021) out of which Rs.12.31 crore have been considered as quasi equity owing to subordination to bank borrowings. The unsecured loans from the promoters are interest bearing in nature and gives interest of 9-10% per annum. The solvency position of the company is expected to improve going forward with gradual repayment of outstanding term loans. With no major capex planned to be undertaken by the company over medium term, no new term loan is planned to be availed over the projected period.

Further, the debt coverage indicators of the company stood moderate with total debt to GCA and PBILDT Interest coverage of 3.72 times and 3.41 times respectively as on March 31, 2022. Deterioration in interest coverage is on account of increase in interest expenses and decrease in PBILDT level.

Key Rating Weaknesses:

Growing albeit moderate scale of operations

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 18% during FY18-FY22. During FY22, TOI has grown by 31% over FY21 and stood at Rs.182.99 crore as against Rs.139.63 crore on account of higher sales of women footwear. Further, the company sells its product in domestic market (almost 97%-98% of TOI) as well as export, however exports have been limited to 2%-3% of TOI in last two years. During H1FY23, company registered sales of ~Rs.103.77 crore. However, scale of operations remained at moderate level.

The profitability of the company stood moderate with PBILDT margin and PAT margin of 6.35% and 2.62% respectively in FY22 which declined from 8.29% and 3.69% respectively in FY21 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. GCA of the company stood moderate at Rs.6.95 crore in FY22. Going forward, with improved market sentiments and further revival in demand with diminishing effect of the pandemic, the margins are expected to improve over the projected period.

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 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

AFWPL 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 has resulted into low entry barriers. Further, the company has to face stiff competition from other reputed players in the industry. AFWPL 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 and moderate operating cycle of 61 days in FY22. Further, any shortfall in working capital are fulfilled by the promoters itself which is also reflected by continuous infusion of unsecured loans in past three financial years ended FY22. Inventory period of the company stood high owing to nature of the business as it has to maintain wide variety of the finished goods. 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 90-100 days from supplier which results in moderate operating cycle for the company. Average utilization of working capital bank borrowing stood at more than 95% to almost full during past 12 months ended October 2022. However, as per interaction with the banker, company has availed enhancement in fund-based limits from Rs.12.5 crore to Rs.17 crore in November, 2022, which shall provide cushion to liquidity. Liquidity ratio of the company stood moderate marked by current ratio of 1.34 times and quick ratio stood at 0.97 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

Alwar (Rajasthan) based A-One Footwears Private Limited (AFWPL; CIN: U19200DL2011PTC253568) was incorporated in February 2011 by Mr. Mahesh Kumar and other family members. Initially, the promoter 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. AFWPL for ladies & children footwear and A-One Footarts Private Limited (AFAPL) for gents footwear. Further, the management has also incorporated another company i.e Indus Footprints Limited (IFPL) in Aug 2018 for marketing of products of both AFWPL and AFAPL under the common brand name (INDUS).
AFWPL is mainly engaged into manufacturing of Polyurethan (PU) based ladies and children footwear and Poly Vinyl Chloride (PVC) based school shoes. The manufacturing facility of the company is located at Khairthal, Alwar having overall installed capacity of 1,05,000 pairs per day of PU and PVC footwear as on March 31, 2022 which increased form 80,000 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	139.63	182.99	103.77
PBILDT	11.58	11.61	6.26
PAT	5.15	4.80	3.59
Overall gearing (times)	0.48	0.60	0.41
Interest coverage (times)	3.79	3.41	3.52

A: Audited; Prov: Provisional

Status of non-cooperation with previous CRA: CRISIL had reviewed the ratings of AFWPL under Issuer not cooperating category vide press release dated July 27, 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		-	-	-	12.50	CARE BBB-; Stable
Fund-based - LT-Term Loan		-	-	May, 2024	1.37	CARE BBB-; Stable
Non-fund-based - ST-Letter of credit		-	-	-	10.00	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	12.50	CARE BBB-; Stable	1)CARE BBB-; Stable; ISSUER NOT COOPERATING* (17-May-22)	-	1)CARE BBB-; Stable (08-Mar-21)	1)CARE BBB-; Stable (13-Dec-19)
2	Fund-based - LT-Term Loan	LT	1.37	CARE BBB-; Stable	1)CARE BBB-; Stable; ISSUER NOT COOPERATING* (17-May-22)	-	1)CARE BBB-; Stable (08-Mar-21)	1)CARE BBB-; Stable (13-Dec-19)
3	Non-fund-based - ST-Letter of credit	ST	10.00	CARE A3	1)CARE A3; ISSUER NOT COOPERATING* (17-May-22)	-	1)CARE A3 (08-Mar-21)	1)CARE A3 (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	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Letter of credit	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.

Contact us

Media contact
Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact
Name: Akhil Goyal
Phone: 8511190015
E-mail: akhil.goyal@careedge.in

Relationship contact
Name: Deepak Purshottambhai Prajapati
Phone: +91-79-4026 5656
E-mail: deepak.prajapati@careedge.in

About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For the detailed Rationale Report and subscription information, please visit www.careedge.in