

Roger Industries Limited

October 07, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	57.37	CARE BBB-; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	3.00	CARE BBB-; Stable / CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Roger Industries Limited (RIL) factor in the long track record of operations with experience of promoters in the footwear industry and established client base amid economic slowdown in the European market. The ratings also draw comfort from the company's comfortable financial risk profile coupled with adequate liquidity position marked by healthy cash and bank balance with investments in fixed deposits. The rating strengths are however offset by the company's moderate scale of operations which got impacted owing to recessionary trends in Exports markets which is expected to rebound in FY25 (refers to the period from April 01 to March 31). The ratings are further constrained by the exposure of RIL to its subsidiary which could impact the cash flow of the entity going forward. The ratings are also constrained by the foreign currency fluctuation risk faced by the company and highly competitive shoe manufacturing industry in which the company operates.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant increase in scale of operations with total operating income (TOI) increasing above ₹150 crore along with sustenance of profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 7.50%.
- Decline in customer concentration risk with Top 5 customers contributing less than 30% to the total sales of the company.

Negative factors

- Increase in exposure towards subsidiary and adjusted overall gearing beyond 1.20x.
- Deterioration in the solvency position of the company marked total outside liabilities to total net worth (TOL/TNW) of more than 1.20x.

Analytical approach: Standalone

Outlook: Stable

"Stable" outlook reflects CARE Ratings' opinion that RIL will continue to derive benefit from its long-standing experience of promoters in the industry.

Detailed description of key rating drivers:

Key strengths

Experienced promoters

The company's promoters have more than three decades of experience in the footwear industry. Kulbir Singh, promoter of the company, had prior experience of working in Germany in the footwear Industry, before starting his own venture in India. He is supported by his wife, Dalbir Kaur, who also looks after the day-to-day operations of the company. Further, Kulbir Singh's son-in-law, Deepak Budhiraja is the current Managing Director of the company. RIL also has an in-house quality checking team along with a capable and efficient management to assist in the day-to-day operations of the company.

Sustaining international alliances amid economic slowdown in the European market

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

The company's presence in 15 counties across the world enables it to supply its products to reputed clients. Over the years, the company has established a strong relationship with its clients, which is also reflected from repeated sales to them minimizing the impact of moderation in operational performance. Astor Mueller from Switzerland is contributing ~39% of the sales in FY24. However, the top 5 customers account for ~80% of the total sales of the company, thereby exposing the company to customer concentration risk.

Average financial risk profile

As on March 31, 2024, the overall gearing of the company improved marginally and stood at 0.78x (PY: 0.83x). Overall Gearing basis net debt stands at 0.37x as on March 31, 2024 (PY: 0.48x). Debt coverage indicators stood moderate marked by total debt to GCA of 10.48x as on March 31, 2024, deteriorating from 6.06x as on March 31, 2023. The interest coverage of the company also moderated to 1.06x as on March 31, 2024, mainly due to moderation PBILDT levels owing to the recessionary trend in the European market. However, the company has cash and bank balance of ₹2.26 crore as on March 31, 2024, along with annual Interest Income from fixed deposits which is sufficient to meet the debt obligations during FY25 and FY26. The interest income from fixed deposits stood at ₹3.32 crore in FY24.

Key weaknesses

Moderation in operational performance in FY24 albeit expected to rebound in FY25

During FY24, the TOI of the company declined to ₹89.94 crore because of the recessionary trends in the European market, thereby directly impacting the customers of the company. This downturn also impacted profitability margins, as indicated by PBILDT and PAT margins. The company has reported a TOI of ₹53.64 crore during 4MFY25 (refers to the period April 1 to July 31) and is expected to achieve a TOI of ₹125 crore in FY25 with further improvements in order book position of the company during the 2HFY25 (refers to the period from October 01 to March 31).

Exposure to subsidiary

The company has a wholly owned subsidiary namely, Euro Safety Non Wovens Private Limited, which is engaged in the manufacturing of non-woven fabrics and innovative PE films. The investments in this subsidiary include an equity investment of ₹4.15 crore as on March 31, 2024. The said subsidiary is smaller in scale and the company achieved break-even point and has PAT level of ~₹1 crore.

Foreign Currency fluctuation risk

The company is exposed to foreign currency fluctuation risk since majority of the revenue earned by the company is through export sales. However, the risk is partially offset since the company hedges its foreign currency exposure by booking forward contracts. The company booked a foreign currency gain of ₹0.13 crore as on March 31, 2024, as compared to ₹1.28 crore as on March 31, 2023.

Competition from organized and unorganized players

The footwear industry is highly competitive in nature on account of low entry barriers, considering the low capital investment required to set up a new facility. Also, operations are labor intensive resulting in presence of a large number of unorganized players. RIL also faces competition from companies based out of China, Vietnam and Indonesia because of the easy availability of low-cost labor in these countries. However, RIL produces footwear for reputed international brands and produced by low-cost laborers, which gives an edge to the company over its competitors

Liquidity: Adequate

RIL's has adequate liquidity position with cash and liquid investment of ₹50.54 crore as on March 31, 2024, which include cash and bank balance of ₹2.26 crore and Fixed deposits amounting to ~₹48 crore. The company has gross cash accruals of ₹5.64 crore in FY24, which is expected to improve to ~₹10 crore in FY25 against debt repayment of obligations of ₹1.70 crore. The current ratio stood comfortable at 1.56x as on March 31, 2024 (PY: 1.38x). The operating cycle elongated to 108 days as on March 31, 2024, owing to the recessionary trend. The average working capital utilization for the trailing twelve months ending August 2024 stood at 84% with the highest utilization of 94% in the month of October 2023.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)
[Rating Outlook and Rating Watch](#)
[Manufacturing Companies](#)
[Financial Ratios – Non financial Sector](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer Discretionary	Consumer Durables	Consumer Durables	Footwear

RIL was originally established in 1979 as a proprietorship firm, M/s Roger Exports by Kulbir Singh. Subsequently, on November 06, 2007, the business of Roger Exports was transferred to Roger Industries Limited which was incorporated in November 2007. The company is engaged in manufacturing of leather footwear at its manufacturing facilities located at Agra. Currently, the company has capability to manufacture up to 2 million pairs of footwear every year.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	4MFY25 (UA)
Total operating income	150.66	89.94	53.64
PBILDT	11.59	4.15	3.00
PAT	7.16	3.85	NA
Overall gearing (times)	0.85	0.76	NA
Interest coverage (times)	3.05	1.06	NA

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Brickwork and Infomerics has continued the ratings assigned to the bank facilities of Roger Industries Limited into 'Issuer not-cooperating' category vide press release dated August 31, 2023, and April 23, 2024, respectively, on account of non-availability of requisite information from the company.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	November 2026	5.00	CARE BBB-; Stable
Fund-based - LT-Working Capital Limits		-	-	-	52.37	CARE BBB-; Stable
Non-fund-based - LT/ ST-Letter of credit		-	-	-	3.00	CARE BBB-; Stable / CARE A3

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Working Capital Limits	LT	52.37	CARE BBB-; Stable	1)CARE BBB-; Stable (11-Apr-24)	-	-	-
2	Fund-based - LT-Term Loan	LT	5.00	CARE BBB-; Stable	1)CARE BBB-; Stable (11-Apr-24)	-	-	-
3	Non-fund-based - LT/ ST-Letter of credit	LT/ST	3.00	CARE BBB-; Stable / CARE A3	1)CARE BBB-; Stable / CARE A3 (11-Apr-24)	-	-	-

LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Non-fund-based - LT/ ST-Letter of credit	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Puneet Kansal Director CARE Ratings Limited Phone: 120-4452000 E-mail: puneet.kansal@careedge.in
Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Rajan Sukhija Assistant Director CARE Ratings Limited Phone: 91-120-4452000 E-mail: Rajan.Sukhija@careedge.in Srishti Jain Rating Analyst CARE Ratings Limited E-mail: Srishti.jain@careedge.in

About us:

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