Woodland (Aero Club) Private Limited

October 07, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	411.38 (Reduced from 428.08)	CARE BB+; Stable	Reaffirmed
Short Term Bank Facilities	38.92	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Woodland (Aero Club) Private Limited (hereinafter referred as WACPL) continues to factor in moderate financial risk profile marked by leveraged capital structure owing to high dependence on external debt, loans extended to group entities, stretched liquidity position with elongated inventory holding days and modest coverage indicators. The ratings, further, are constrained by company's fluctuating profitability and competitive nature of the industry. The rating, however, derives comfort from growing scale of operations owing to increased demand from E-commerce and wholesale business in FY24 (refers to the period from April 01 to March 31), experienced promoters with long track record of operations, established brand name of "Woodland" with long presence in Indian footwear industry, a well-established pan India distribution network and diversified product portfolio.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- A sustainable growth in operations with total operating income (TOI) of above Rs.1200 crore along with PBILDT (Profit before interest, lease, depreciation and tax) margin above 15% on a sustained basis.
- Improved liquidity and maintaining comfortable capital structure with an overall gearing below 0.80x on sustainable basis.

Negative factors

- Further increase in operating cycle resulted into significant deterioration in the liquidity position.
- Any significant increase in the total debt resulting in deterioration in the overall gearing above 1.59x (excluding advances for non-core business operations).

Analytical approach: Standalone

Outlook: Stable

CARE Ltd believes that the company shall sustain its growth in operational performance backed by firm's strong brand presence and established distribution network.

Detailed description of key rating drivers:

Key weaknesses

Moderate financial risk profile, albeit high net worth base: The company's capital structure is moderate as marked by overall gearing above unity at 1.09x as on March 31, 2024 (PY: 1.13x) and below average debt coverage indicators with interest coverage ratio at 1.46x in FY24 (PY: 1.40x) and total debt to GCA at 13.31x (PY: 19.20x), albeit high net worth base of Rs. 563.26 crore (adjusted for loans and advances to group concerns) as on March 31, 2024 (PY: Rs.556.03 crore). Company has consistently extended loans and advances to multiple group concerns led to further deterioration in overall gearing to 1.40x as on March 31, 2024. Company's debt levels remained elevated with term debt outstanding at Rs. 170.58 Cr, Working capital debt at Rs. 390.98 Cr, trade deposit at Rs. 18.72 Cr, unsecured promoter loan at Rs. 3.25 Cr and letter of credit (LC) backed creditors at Rs. 30.38 Cr as on March 31, 2024.

Working capital intensive nature of operations: The operating cycle of the company remained elongated at 278 days in FY24 (PY: 311 days) due to higher inventory holding days of 311 in FY24 (PY: 333 days). In order to supply a variety of shoe designs and sizes and other products across its stores in India, company is required to maintain a significant inventory. Leather, its primary raw material, takes about two months to dry, followed by 45-60 days for production and 2-4 months for inventory liquidation. As a result, the working capital limits also remained fully utilized over the trailing 12 months ending August 2024. The average debtor period stood low at 31 days in FY24 (PY: 36 days).

Intense competition in footwear segment: Indian Footwear industry is highly competitive in nature due to low entry barriers on account of low capital investment required to set up a new facility. Also, operations are labour intensive resulting in presence of a large number of unorganized players. However, the firm produces footwear for premium brand "Woodland" and "Woods" by low-cost labourers, which gives an edge to the firm over its competitors.

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

Key strengths

Experienced management having long track record of operations: The company was founded by Mr. Avtar Singh in 1962. His son, Mr. Harkirat Singh, later joined the family business. Mr. Avtar Singh has an experience of over 6 decades in the same line of business, while Mr. Harkirat Singh, a management graduate, has 3 decades of experience in the footwear & apparel sector. He oversees the company's daily operations & also formulates market strategies. Further, in January 2022, the third generation of the family, including Mr. Pavan Deep Singh, Mr. Gagan Deep Singh, and Mr. Raman Deep Singh, also joined the business.

Established brand name, diversified product portfolio and wide distribution along with PAN India presence: The company is engaged in manufacturing of the footwear, apparel & accessories (Garments, Leather Belts, Wallets, Bag packs, Leather Bags, Leather Garments etc.) under the brand names "Woodland" and "Woods". Its product range caters to various consumer segments, including kids, men, and women and fulfils different purposes also like trekking and climbing etc. The company operates a network of 377 exclusive showrooms (with three being company-owned) on a lease rental and ~54 distributors spread across the country. Further, the company recently expanded into the sports shoe segment under its own brand, "Wood Sport" and started manufacturing rubber sleepers as well under the brand "Aero Peak".

Steady growth in scale of operations albeit fluctuating profitability margins: The company's scale of operations grew at a compounded annual growth rate (CAGR) of ~21% over last 3 years on the back of growth in fashion and lifestyle market in India. During FY24, TOI of the company witnessed growth by 12% y-o-y (year-on-year) basis and stood at Rs. 1,094.49 Cr (PY: Rs. 980.37 Cr). Further, company's profitability remained fluctuating due to volatile nature of raw material prices and company's limited ability to pass on the change in prices due to competitive nature of industry. Though during FY24, PBILDT margin improved to 12.91% (PY: 12.28%) due to reduction in raw material costs along with savings in power & fuel, employee benefits, and other expenses to some extent.

Change in constitution of the entity in FY24: Until November 2023, the entity operated as a partnership firm facing various inherent risks such as capital withdrawal by partners which may adversely impact the profitability, and the potential for dissolution due to partner's death, retirement or insolvency. In addition to this, partnership firms often have limited access to external funding as lenders base decisions primarily on the creditworthiness of the partners. However, the entity has now transitioned into a private limited company and mitigating these risks.

Liquidity: Stretched

Liquidity of the company remained stretched as marked by 100% utilization of its working capital limits for the trailing 12-months period ending August 2024 coupled with high inventory levels and modest cash & bank balance of Rs.4.94 crore as on March 31, 2024. The company is expected to earn gross cash accruals of Rs.50.73 crore in FY25 against scheduled debt repayment obligations of Rs.38.04 crore. Further, current ratio of the company stood above unity from last 5 fiscals and stood at 1.53x as on March 31, 2024 and has steady cash flow from operations from last three fiscals with no major debt funded capex plan in medium term.

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

Woodland (Aero Club) Private Limited, incorporated in 2023 by Mr. Harkirat Singh and Mr. Avtar Singh, initially it was incorporated as a partnership firm in 1992. The company is engaged into the manufacturing of footwear, apparel & accessories under the brand name "Woodland" and "Woods". Product range of the firm includes Footwear (Formal, Casual, Sports), Garments, Leather Belts, Wallets, Leather Bags etc. Major share of revenue is derived from footwear. Firm has 9 factories located in Himachal Pradesh, Punjab, Uttarakhand and 6 go-downs located in Himachal Pradesh, Punjab, Delhi, UP. Currently, firm has network of ~377 exclusive showrooms and ~54 distributors spread across India.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	Q1FY25 (UA)
Total operating income	980.37	1,094.49	200.86
PBILDT	120.37	141.31	NA
PAT	8.13	21.00	NA
Overall gearing (times)	1.13	1.09	NA
Interest coverage (times)	1.40	1.46	NA

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

Status of non-cooperation with previous CRA: CRISIL has continued the ratings assigned to the bank facilities of Woodland (Aero Club) Private Limited to the 'issuer not -cooperating' category vide press release dated October 17, 2023 on account of its inability to carryout review in the absence 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	394.92	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	May 2031	16.46	CARE BB+; Stable
Non-fund-based - ST-Working Capital Limits		-	-	-	38.92	CARE A4

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-Cash Credit	LT	394.92	CARE BB+; Stable	-	1)CARE BB+; Stable (13-Oct-23)	-	-
2	Fund-based - LT-Term Loan	LT	16.46	CARE BB+; Stable	-	1)CARE BB+; Stable (13-Oct-23)	-	-
3	Non-fund-based - ST-Working Capital Limits	ST	38.92	CARE A4	-	1)CARE A4 (13-Oct-23)	-	-

LT: Long term; ST: 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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Working Capital Limits	Simple

Annexure-5: Lender details

To 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

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About us:

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