

A-One Footarts Private Limited

November 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	12.00 (Reduced from 16.00)	CARE BBB-; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	4.75 (Reduced from 6.00)	CARE BBB-; Stable / CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

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, derive strength from its comfortable capital structure with moderate debt coverage indicators and adequate liquidity. The ratings, however, continues to remain constrained on account of its moderate scale of operations 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: Factors likely to lead to rating actions

Positive factors

- Sustained increase in scale of operations of the company with total operating income (TOI) beyond Rs.250.00 crore along with improvement in operating margin beyond 8.50%
- Improvement in operating cycle to less than 60 days on sustained basis
- Improvement in networth base to more than Rs.80 crore

Negative factors

- Any debt-funded project or working capital requirement resulting in moderation in Overall Gearing above unity
- Decline in scale of operations from present level or any further decline in PBILDT margin below 5.50% on sustained basis
- Deterioration in liquidity with elongation in collection period beyond 130 days or operating cycle beyond 120 days

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that AFAPL shall continue to benefit from experienced promoters and established brand name in the footwear industry over the medium term.

Detailed description of key rating drivers:

Key strengths

Experienced management with 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 its presence in the domestic market. Further, the group has also promoted other entities which include A-One Footwears Private Limited (AFWPL; engaged in manufacturing of ladies and children footwears; rated CARE BBB-; Stable/ CARE A3), Indus Fine Arts Private Limited (engaged in manufacturing of sports shoes and sandals under same brand name "Indus"), Balaji Industries (engaged into manufacturing of hawai chappal under the brand name of Indus Lite) and Indus Footprints Limited (IFPL) which is engaged into marketing of all footwear. The group sells its product 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 its products to some gulf countries and neighboring countries. Overall affairs of this company are looked by Mr. Govind Kumar, Director, who is associated with this group since 1999. Marketing and finance function of the company are managed by other directors, Mr. Shankar Lal Agarwal and Mr. Ravi Kumar respectively.

Comfortable capital structure and Moderate debt coverage indicators

Capital structure of the company remained comfortable marked by overall gearing of 0.39x at FY24 end as against 0.44x at FY23 end, mainly due to lower utilization of fund-based limits and prepayments of term loans. The debt coverage indicators also

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

improved albeit remained moderate marked by PBILDT interest coverage of 6.47x in FY24 as against 3.64x in FY23. Also, total debt/ gross cash accruals (TD/GCA) improved to 2.07x at FY24 end as against 3.01x at FY23 end.

Key weaknesses

Moderate scale of operations and profitability

During FY24, AFAPL registered stable TOI of Rs. 120.03 crore as against Rs. 128.22 crore in FY23. The moderation in TOI was mainly due to uncertainty in the footwear industry in FY24 due to applicability of BIS in the industry. Post complete implementation of BIS from August 01, 2024, and with company's focus on production of better-quality products, TOI in H1FY25 increased to Rs.75.95 crore (Rs.55.83 crore in H1FY24).

The profitability of the company improved, however remained moderate, marked by PBILDT and PAT margin of 7.71% and 3.72% respectively in FY24 as against 6.14% and 2.82% in FY23. The improvement in margin was mainly driven by lower raw material cost. The improvement was however offset to some extent by higher commission given to dealers, primarily due to increased competition in the industry. Going forward, margins are expected to remain around 7.5-8.5% with somewhat improvement expected post BIS implementation.

Susceptibility of profitability to raw material prices and foreign exchange rate

The major raw material for the company is PVC resin which is a crude oil derivative. Over the years, price of crude oil has been volatile and so is the price of polymers. Considering the volatility associated with the raw material prices, timing difference arising in procurement of raw material and realization of sales, and competitive landscape resulting in market driven end-product pricing exposes the company's operating margin to raw material price fluctuation. Further, the company also imports raw material. The company exports a small portion which provides natural hedge to that extent. However, in absence of any active hedging policy, profitability is exposed to foreign exchange rate.

Highly fragmented and competitive nature of footwear industry

The domestic footwear industry is highly fragmented and is characterized by large number of unorganized players. The organized segment caters to ~ 25-30% of the market while unorganized players fetch the remaining market which essentially falls under micro, small and medium enterprises. These players largely target the low/middle-income segment and thereby fetch low margin. The industry is also labour intensive and requires low capital investment which results in low entry barriers. Further, the company faces stiff competition from other reputed players in the industry, and also faces competition from cheap imports (China) in this segment. AFAPL also remains susceptible to continuous changes in manufacturing style and design and pricing from other footwear manufacturing players.

Liquidity: Adequate

The liquidity profile of the company remained adequate, marked by moderate cash accruals against minimal car loan repayment and positive cash flow from operations of Rs.7.51 crore in FY24. Further, average utilization of fund-based limits remained low at 25% for the past 12 months ending September 2024.

The Operating cycle of the company elongated to 81 days in FY24 from 72 days in FY23 mainly due to higher inventory o/s at FY24 end due to uncertainty in the market pertaining to BIS implementation. As informed by the management, currently AFAPL does not hold any inventory that is non-compliant to BIS guidelines.

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

A-One Footarts Private Limited (AFAPL) belongs to Alwar (Rajasthan) and 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 men's footwear. Subsequently, in 2011, the promoters decided to segregate the ladies' and men's segment and

formed two companies for each segment i.e. AFWPL for ladies & children footwear and AFAPL for men's footwear. Further, the group also incorporated another company i.e., Indus Footprints Limited (IFPL) in August 2018 for marketing products of both AFWPL and AFAPL under the common brand name, 'INDUS'. AFAPL is mainly engaged into manufacturing of Polyurethan (PU) based men's 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 September 30, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	128.22	120.03	75.95
PBILDT	7.87	9.26	NA
PAT	3.62	4.47	NA
Overall gearing (times)	0.44	0.39	NA
Interest coverage (times)	3.64	6.47	NA

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

Status of non-cooperation with previous CRA: Crisil has placed ratings assigned to the bank facilities of AFAPL in "Issuer Not co-operating" category vide press release dated September 20, 2023, on account of its inability to carry out a rating exercise in the absence of the 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		-	-	-	12.00	CARE BBB-; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	4.75	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-Cash Credit	LT	12.00	CARE BBB-; Stable	-	1)CARE BBB-; Stable (01-Nov-23)	1)CARE BBB-; Stable (17-Nov-22) 2)CARE BBB-; Stable; ISSUER NOT COOPERATING* (17-May-22)	-
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	4.75	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (01-Nov-23)	1)CARE BBB-; Stable / CARE A3 (17-Nov-22) 2)CARE BBB-; Stable / CARE A3; ISSUER NOT COOPERATING* (17-May-22)	-

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short 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-Cash Credit	Simple
2	Non-fund-based - LT/ ST-BG/LC	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.

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About us:

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