



## Press Release

### Diamond Footcare Udyog Private Limited

January 11, 2023

#### Ratings

Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	76.70	IVR BB / Stable Outlook (IVR Double B with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	19.30	IVR A4 (IVR A Four)	Reaffirmed	Simple
<b>Total</b>	<b>96.00</b>	<b>(Rupees Ninety-Six crore only)</b>		

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to the bank facilities of Diamond Footcare Udyog Private Limited (DFUPL) continue to draw comfort from its successful track record under experienced promoters and successful track record, reputed customer profile and established relationship with business partners. The ratings also positively consider growing scale of operations and moderate debt protection metrics. However, these rating strengths are partially offset by moderately leveraged capital structure, large working capital requirement, intense competition prevalent in industry and exposure to regulatory risk.

#### Key Rating Sensitivities:

##### Upward Factor:

- Growth in scale of operation with improvement in profit margins leading to improvement in cash accruals and liquidity position on a sustained basis
- Improvement in the capital structure and debt protection metrics.
- Effective working capital management with improvement in operating cycle and liquidity

##### Downward factor:

- Decline in the revenue leading to weakening of profitability and liquidity
- Higher working capital requirements leading to moderation in capital structure.



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- Any adverse regulatory changes

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Experienced Promoters and successful track record**

The company was established under the guidance of Mr. Ramesh Kumar Gupta and Mr. Ram Phool who have over four decades of experience in footwear industry. The promoter is supported by a highly qualified and trained team to run day to day operations. Long-standing presence of the promoters in the industry has helped the company to establish healthy relationship with its customers and suppliers' wide network of more than 250 dealers across the country which helped the Company to get repetitive orders from its customers

##### **Reputed customer profile and established relationship with business partners**

DFUPL was incorporated in April 2008 and over a period of time, the company has built robust relationship with customers. Some of the customers are associated with the company for more than 20 years, reflecting good product quality and strong management credibility. DFUPL's customer profile consists of some of very well-known clients such as Bata, Lifestyle group, Max, Reliance group etc.

##### **Growing scale of operations:**

The total operating income of the firm has witnessed an increasing trend over the years from Rs 117.01 crore in FY19 to Rs 134.37 crore in FY22 with y-o-y growth of ~5%, driven by increasing orders from the existing customers and new & reputed customers. EBIDTA margin of the company improved to 12.26% in FY22 from 10.64% in FY21. PAT Margin improved from 0.06% in FY21 to 2.21% in FY22. GCA improved from Rs.4.21 Crores in FY21 to Rs.6.47 Crores in FY22. The company has reported total operating income of Rs.86.23 crore in H1FY23 as against Rs.55.07 crore in H1FY22.

##### **Moderate Debt Protection metrics:**



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DFUPL has moderate debt protection metrics with interest coverage and Total debt/GCA of 2.05 times in FY22 and 10.64 years as on March 31,2022 due to sizable dependence on external debt to fund working capital requirement.

### **Key Rating Weaknesses**

#### **Large working capital requirement:**

The Operating cycle of the Company is elongated and stood at 283 days in FY22 with collection period of 103 days, while holding an inventory of around 225 days as against creditors period of 45 days in FY22.

#### **Intense competition prevalent in the footwear industry**

The company is exposed to intense competition prevalent in the highly fragmented footwear industry and faces stiff competition from both organised and unorganised players. The industry lacks capital intensive manufacturing process owing to low barrier to entry and cheap availability of labour. Due to presence of large number to medium to small size of players, the pricing power is limited to the players in the industry. Footwear Industry faces constant threat of changes of customer preferences, duplication of designs and inventory obsolescence risk.

#### **Exposure to regulatory risk**

DFUPL, like other players in the footwear industry, remains exposed to changes in the legal and regulatory environment such as revision of tax rates, changes in import duty, etc.

#### **Moderately leveraged Capital Structure:**

DFUPL has a Tangible Net Worth of Rs 61.16 crore as on March 31,2022. The long-term debt equity ratio and overall gearing ratio stood at 0.69x and 1.37x as on March 31,2022. TOL/TNW stood at 2.10x in FY22 as against 1.99X in FY21.

**Analytical Approach:** Standalone

**Applicable Criteria:**



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[Rating Methodology for Manufacturing companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for assigning rating outlook](#)

### **Liquidity – Adequate**

The liquidity profile of DFUPL is expected to remain adequate on the expectation that cash accruals will be sufficient to pay off the current portion of long-term debts. Further, the average utilisation of its fund based working capital limit remains high at ~92.78% and non-fund based working capital limit remained at ~54.24% during the past 12 months ended Nov 2022. Current ratio is 1.46X as on March 31, 2022. The operating cycle of the company elongated to 283 days in FY22 from 274 days in FY21. The unencumbered cash and bank balance was Rs. 1.14 Crores as on March 31, 2022. Liquidity is further supported by financial support from promoters in the form of unsecured loans.

### **About the Company**

Incorporated in 1978, Diamond Footcare Udyog Private Limited is engaged in manufacturing and sale of non-leather footwear like rubber slippers, sandals, shoes etc under the brand name of 'Diamond' and 'SISCO' at Bahadurgarh, Haryana. The company is managed by Mr Ramesh Kumar Gupta and his sons, Mr Rajat Gupta and Mr Harsh Gupta.

### **Financials (Standalone):**

	(Rs. crore)	
For the year ended*/As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	127.08	132.80
EBITDA	13.52	16.29
PAT	0.07	2.94
Total Debt	91.02	95.23
Tangible Net worth	58.21	61.16
EBITDA Margin (%)	10.64	12.26
PAT Margin (%)	0.06	2.21
Overall Gearing Ratio (x)	1.56	1.56

*\*Classification as per Infomerics' standards*



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**Status of non-cooperation with previous CRA:** None

**Any other information:** Not applicable

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (January 10, 2022)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term Fund Based Limits	Long Term	76.70	IVR BB/ Stable Outlook	IVR BB/ Stable outlook	-	-
2.	Short Term Fund Based Limits	Short Term	15.00	IVR A4	IVR A4		
3.	Short Term Non Fund Based Limits	Short Term	4.30	IVR A4	IVR A4	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.



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Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility- Cash Credit	-	-	-	42.50	IVR BB/Stable Outlook
Long Term Bank Facility – Term Loan	-	-	Upto 2036	21.80	IVR BB/Stable Outlook
Long Term Bank Facilities – Dropline OD	-	-	Upto 2033	3.76	IVR BB/Stable Outlook
Long Term Bank Facilities - LAP	-	-	Upto 2033	8.64	IVR BB/Stable Outlook
Short Term Bank Facility- Letter of Credit	-	-	-	4.30	IVR A4
Short Term Bank Facility- Bill Discounting	-	-	-	15.00	IVR A4

**Annexure-II: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-Diamond-footcare-jan23.pdf>





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**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

