



Press Release

Diamond Footcare Udyog Private Limited

January 10, 2022

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	75.86	IVR BB/ Stable Outlook (IVR Double B; Stable Outlook)	Assigned
2.	Short Term Bank Facilities	20.14	IVR A4 (IVR A Four)	Assigned
	Total	96.00 (Ninety six crore only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Diamond Footcare Udyog Private Limited (DFUPL) derive strength from experienced promoter, reputed customer profile and successful track record. The ratings also note modest capital structure and scale of operations. However, these rating strengths remain constrained due to weak debt protection metrics, large working capital requirement and exposure to regulatory risk. The ratings also consider intense competition prevalent in the footwear industry.

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
- Sustainable increase in market share
- 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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- Withdrawal of subordinated unsecured loan
- Any adverse regulatory changes

List of Key Rating Drivers with Detailed Description

Key Rating Strength

Experienced promoters

The company was established under the guidance of Mr. Ramesh Kumar Gupta and Ram Phool who has 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 300 dealers across the country which helped the Company to get repetitive orders from its customers

Reputed customer profile albeit concentrated and successful track record

DFUPL was incorporated in 1978, Over the period of time, 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 creditability. DFUPL customer profile consists of some of very well-known clients such as Bata, Lifestyle group, Max, Reliance group etc

Modest 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 Rs126.87 crore in FY21 with y-o-y growth of ~5%, driven by increasing orders from the existing customers and new & reputed customers. The company has an order book of Rs 20 crore to be completed by month of February 22 indicating medium term revenue visibility. PAT witnessed a moderation in FY21 and stood at Rs 0.07 crore.



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Modest Capital Structure:

DFUPL has a modest capital structure with Tangible Net Worth of Rs 65.23crore (unsecured loan of Rs 7.02 crore from promoter is treated as quasi equity) as on March 31,2021..The long term debt equity ratio and overall gearing ratio stood at 0.50x and 1.13x as on March 31,2021.

Key Rating Weaknesses

Weak Debt Protection metrics:

DFUPL has weak debt protection metrics with interest coverage and Total debt/GCA of 1.70 times and 17.36 years as on March 31,2021 due to sizable dependence on external debt to fund working capital requirement. Promoters has infused further unsecured loan of Rs 2.62 crore and unsecured loan stood at Rs 7.02 in FY21(Rs4.40 crore in FY20). Further, the company's bank limits are moderately utilized at ~98 per cent over the past twelve months ending November 21

Large working capital requirement:

The Operating cycle of the Company is elongated and stood at 274 days in FY21 with collection period of 121 days to its customer, while holding an inventory of around 195 days as against creditors period of 41 days as n March 31,2021.

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.



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Analytical Approach: Standalone Approach

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Stretched

The liquidity profile of DFUPL is stretched largely on account of limited cushion on working capital utilisation with low cash accruals and repayments. The liquidity position of the company is expected to improve with expected gross cash accruals in the range of Rs.5-8 crore as compared to debt obligations in the range of Rs.4. crore during FY22-24. Further, its bank limits are highly utilised at ~98% during the past 12 months ended Nov,2021 maintaining limited liquidity cushion. The current ratio remains moderate at 1.50x in FY21. Promoter has infused unsecured loan to provide liquidity support to company which stood at Rs 7.02 crore as on March 31,2021.

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 with a current capacity utilization of around 50% . 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	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	121.06	126.87
EBITDA	13.12	13.31
PAT	2.92	0.07
Total Debt	73.18	73.40
Tangible Net worth	62.53	65.23
EBITDA Margin (%)	10.84	10.49
PAT Margin (%)	2.41	0.06
Overall Gearing Ratio (x)	1.17	1.13



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**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: N.A.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loan	Long Term	10.21	IVR BB/Stable Outlook			
2.	Cash Credit	Long Term	42.00	IVR BB/Stable Outlook	-	-	-
3.	Business Loan	Long Term	0.31	IVR BB/Stable Outlook			
4.	Machinery Loan	Long Term	0.43	IVR BB/Stable Outlook			
5.	Vehicle Loan	Long Term	0.12	IVR BB/Stable Outlook			
6.	Loan Against Property	Long Term	22.79	IVR BB/Stable Outlook			
7.	Bill Discounting	Short Term	15.64	IVR A4	-	-	-
8.	Bank Guarantee	Short Term	4.50	IVR A4	-	-	-

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.

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About Infomerics:



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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 – Term Loan				10.21	IVR BB/Stable Outlook)
Long Term Bank Facility – Cash Credit				42.00	IVR BB/Stable Outlook)
Long Term Bank Facility – Loan Against Property				22.79	IVR BB/Stable Outlook)
Long Term Bank Facility – Vehicle loan	-	-	-	0.12	IVR BB/Stable Outlook)
Long Term Bank Facility – Business loan				0.31	IVR BB/Stable Outlook)
Long Term Bank Facility – Machinery loan				0.43	IVR BB/Stable Outlook)
Short Term Bank Facility – Bill Discounting				15.64	A4
Short Term Bank Facility – Bank Guarantee	-	-	-	4.50	A4

Annexure 2: List of companies considered for consolidated analysis: N.A



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Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Diamond-Footcare-lenders-jan22.pdf>

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loan	Simple
2.	Cash Credit	Simple
3.	Loan Against Property	Simple
4.	Vehicle loan	Simple
5.	Business loan	Simple
6.	Machinery loan	Simple
7.	Bill Discounting	Simple
8.	Bank Guarantee	Simple

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.