Press Release

Diamond Footcare Udyog Private Limited

March 25th, 2025

Rating

Sr. No.	Instrument/ Facility	Amount (INR Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	68.70	IVR BBB (Stable) [IVR triple B with stable outlook]	IVR BBB- (Stable) [IVR triple B minus with stable outlook]	Upgraded	Simple
2.	Short Term Bank Facilities	17.80	IVR A3+ (IVR A three plus)	IVR A3 (IVR A three)	Upgraded	Simple
	Total	**86.50**	(Rupees eighty-six crore and fifty lakhs only)			

Details of facilities are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Rating Rationale

Infomerics Valuation and Rating Limited (IVR) has upgraded the long-term ratings to IVR BBB with a stable outlook and the short-term ratings to IVR A3+ for the bank facilities of Diamond Footcare Udyog Private Limited (DFUPL).

The rating upgrade takes into consideration healthy improvement in scale of operations along with sustained improvement in financial risk profile in audited financials for FY24 and Provisionals for 10MFY25. The ratings continue to draw comfort from extensive experience of the promoters in the industry with reputed customer profile such as Bata Shoes, Zudio (part of Tata group) etc. The ratings continue to take into consideration moderate profitability, widespread distribution reach and product portfolio. The ratings, however, remains constrained by intense competition on account of fragmented nature of the Indian footwear industry coupled with wide presence of the unorganised sector. Further the ratings also remain constrained by elongated operating cycle.

The Stable outlook indicates a low likelihood of rating change over the medium term. Infomerics Ratings believes that DFUPL will continue to benefit on account of improved financial risk profile in FY24 and in 10MFY25 and expected stable performance going forward.

IVR has principally relied on the standalone audited financial results of DFUPL up to 31 March 2024with Provisional financials for 10MFY25 and projected financials for FY2025 (refers to period April 1st, 2024, to Mar 31, 2025) -FY2027 (refers to period April 1st, 2026, to Mar 31, 2027), and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Rating Factor:

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

Downward Rating Factor:

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

Detailed Description of Key Rating Drivers

Key Rating Strengths: -

- **Experienced promoters**

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 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 albeit concentrated and successful track record**

DFUPL was incorporated in 1974, over a period of time, company has built 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, Zudio, Max, Reliance retail, Cantabil, etc.

- **Improvement in scale of operations:**

The total operating income of the company has witnessed an increasing trend over the years with CAGR growth of 28%. TOI increased from Rs 173.99 crore in FY23 to Rs 263.45 crore in FY24, driven by increasing orders from the existing customers and new & reputed customers. Further, it increased to Rs. 313.44 crore in 10MFY25. EBITDA increased from Rs. 17.88 crore in FY23 to Rs. 25.35 crore in FY24. EBITDA margin decreased by 66 bps from 10.28% in FY23 to 9.62% in FY24, due to increase in consumption of raw material. EBITDA increased to Rs. 39.33 crore in 10MFY25. EBITDA margin increased by 293 bps and stood at 12.55% in 10MFY25, due to decrease in consumption of raw material. PAT increased from Rs. 5.62 crore in FY23 to Rs. 13.89 crore in FY24. PAT margin increased by 204 bps from 3.22% in FY23 to 5.26% in FY24, due to decrease in interest and finance charges. The GCA improved from 7.51 Crores in FY23 to 14.93 Crores in FY24. PAT increased to Rs. 19.86 crore in 10MFY25. PAT margin increased by 107 bps and stood at 6.33% in 10MFY25, due to decrease in interest and finance charges. GCA increased and stood at Rs. 27.76 crore in 10MFY25.

- **Comfortable capital structure with moderate debt protection metrics:**

Company has a modest tangible net worth of Rs 80.66 crore as on 31st March'24. DHUFL has a comfortable capital structure with long term debt equity ratio and overall gearing ratio improved and stood at 0.48x and 1.01x, as on March 31,2024 as against 0.57x and 1.15x, as on March 31,2023. Long term debt to equity ratio and overall gearing ratio stood at 0.50 and 1.11 as on 31st Janaury'25, respectively. TOL/ TNW improved and stood at 1.48x as on 31st March'24 as against 1.82x as on 31st March'23. TOL/ TNW stood at 1.78x as on 31st Janaury'25. Total Debt/GCA improved and stood at 5.48 years as on 31st March'24 as against 10.19 years as on 31st March'23. Total Debt / GCA improved and stood at 3.50x as on 31st Janaury'25. The company has debt protection metrics with improvement in ISCR and DSCR. Interest coverage ratio stood at 3.07x in FY24 as against 1.88x in FY23 and DSCR stood at

1.78x in FY24 as against 1.23x in FY23. ISCR and DSCR stood at 6.24x and 1.68x in 10MFY25.

Key Rating Weaknesses

- **Working capital requirement:**

The Operating cycle of the Company improved but still remains elongated at 115 days in 10MFY25 as against 126 days in FY24 with an improvement in inventory days of 96 days in FY24 to 83 days along with improvement in scale of operations.

- **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. 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 also faces constant threat of changes of customer preferences, duplication of designs and inventory obsolescence risk.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector).

Criteria for assigning Rating outlook.

Instrument/Facility wise Default Recognition & Post-Default Curing period

Complexity Level of Rated Instruments/Facilities

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 moderate at 89.60% during the past 12 months ended February'25. Current ratio is 1.37x as on March 31, 2024 and 1.30x as on 31st January, 2025, respectively. The Operating cycle of the Company improved but still remains elongated at 115 days in 10MFY25 as against 126 days in FY24 with an improvement in inventory days of 96 days in FY24 to 83 days along with improvement in scale of operations.

Liquidity is further supported by financial support from promoters in the form of unsecured loans.

About the Company

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 capacity of 30 lakhs pieces per month and their current capacity utilization is around 50%. The company is managed by Mr Ramesh Kumar Gupta and his sons, Mr Rajat Gupta and Mr Harsh Gupta. Apart from its own brand 'Diamond', company is also manufacturing from different brands such as Bata, Reliance Retail, Zudio, Neemans, Cantabil, Fila etc.

Financials (Standalone): - **(In Rs. Crore)**

For the year ended* As on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	173.99	263.45
EBITDA	17.88	25.35
PAT	5.62	13.89
Total Debt	76.54	81.85
Tangible Net Worth	66.78	80.66
EBITDA Margin (%)	10.28	9.62
PAT Margin (%)	3.22	5.26
Overall Gearing Ratio (x)	1.15	1.01
Interest Coverage (x)	1.88	3.07

**Classification as per Infomerics' standards*

Details of non-co-operation with any other CRA: None.

Any other information: Not Applicable

Rating History for last three years:

Name of the Facility/ Instrument	Current Rating (Year: 2024-25)			Rating History for the past 3 years		
	Type	Amount	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22

		(INR Crore)			(February 19th, 2024)	(January 11, 2023)	(January 10, 2022)
Fund based limits	Long Term	68.70	IVR BBB / Stable	IVR BBB-/ Stable	IVR BB+/ Positive	IVR BB/ stable	IVR BB / stable
Non-Fund based Limits	Short term	17.80	IVR A3+	IVR A3	IVR A4+	IVR A4	IVR A4

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com

Annexure 1: Details of Facilities **(Rs. Crore)**

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility	Rating Assigned/ Outlook
ECGLS – Long Term	-	-	January 2026	1.86	IVR BBB / Stable
ECGLS – Long Term	-	-	February 2028	3.37	IVR BBB / Stable
ECGLS – Long Term	-	-	February 2027	1.00	IVR BBB / Stable
Term Loan – Long Term	-	-	March 2030	5.33	IVR BBB / Stable
Dropline OD – Long Term	-	-	November 2037	12.62	IVR BBB / Stable
Term loan – Proposed	-	-	-	2.02	IVR BBB / Stable
CC – Long Term	-	-	-	42.50*	IVR BBB / Stable
Bill Discounted – Short Term	-	-	-	6.00	IVR A3+
Letter of Credit – Short Term	-	-	-	11.00**	IVR A3+
Derivative / FC / CEL – Short Term	-	-	-	0.80	IVR A3+

**Fund based Cash Credit Limit with SBI includes sublimit Of Rs. 21.00 Crores as Cash credit (book debt) within CC (Hyp.).*
***Includes Bank guarantee as sublimit of Rs. 2.00 Crore.*

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/Len-DiamondFootcare-Udyog-25mar25.pdf

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: 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 .