

January 02, 2023

Rahman Industries Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Fund based-Term Loan	3.34	3.34	[ICRA]BBB (Stable)
Fund based-working capital facilities	100.00	100.00	[ICRA]BBB (Stable)
Non fund based-working capital facilities	30.00	30.00	[ICRA]A3+
Total	133.34	133.34	

*Instrument details are provided in Annexure-I

Rationale

Material Event

ICRA came across few media articles regarding the Income Tax search operation carried out at the offices and tanneries of Rahman Industries Limited as well as residence of the promoters in the second week of December 2022.

Impact of Material Event

At present, ICRA has ratings of [ICRA]BBB(Stable)/[ICRA]A3+ outstanding for the bank facilities of Rahman Industries Limited (RIL). Based on discussions with the management, ICRA understands that there has been no impact of the search operations on the company's operations and over the availability of bank funding as of now, and it is likely to take ~2-3 months for the preliminary appraisal report/order from the Department. However, ICRA would continue to closely monitor any further developments related to this event and take appropriate rating action, if necessary.

Please refer to the following link for the previous detailed rationale that captures Key rating drivers and their description, Liquidity position, Rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating methodology for entities in Footwear Industry
Parent/Group support	None
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of RIL. As on March 31, 2021, the company had five subsidiaries, which have been enlisted in Annexure-2.

About the company

Rahman Industries Limited (RIL) was incorporated in 1981 as a tannery business unit. It later ventured into manufacturing shoe uppers and complete shoes. At present, the company manufactures finished leather, shoe uppers and finished shoes. It primarily manufactures safety shoes and around 90% of its revenues is generated from exports. The Rahman Group now manufactures chemicals, rubber and other auxiliary items needed for manufacturing leather and footwear through the

backward integration strategy. The Group is present across various countries like Spain, France, Italy, South Africa, and the UAE, apart from India.

Key financial indicators (audited)

Particulars	Standalone		Consolidated	
	FY2020	FY2021	FY2020	FY2021
Operating income	368.9	355.4	668.9	639.7
PAT	23.6	26.8	28.3	32.4
OPBDIT/OI	14.0%	13.7%	10.3%	10.9%
PAT/OI	6.4%	7.5%	4.2%	5.1%
Total outside liabilities/Tangible net worth (times)	0.6	0.5	1.0	1.0
Total debt/OPBDIT (times)	3.0	2.2	4.0	4.0
Interest coverage (times)	3.0	5.9	3.5	6.5

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument		Current rating (FY2023)				Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Amount outstanding as of Mar 31, 2021 (Rs. crore)	Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
					Jan 2, 2023	April 07, 2022			
Jan 23, 2020									
1	Fund based-Term Loan	Long term	3.34	5.88	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Negative)	-	[ICRA]BBB (Negative)
2	Fund based-working capital facilities	Long term	100.00	-	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Negative)	-	[ICRA]BBB (Negative)
3	Non fund based-working capital facilities	Short term	30.00	-	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+	-	[ICRA]A3+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund based-Term Loan	Simple
Fund based-working capital facilities	Simple
Non fund based-working capital facilities	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund based-Term Loan	FY2019	-	FY2024	3.34	[ICRA]BBB(Stable)
NA	Fund based-working capital facilities	-	-	-	100.00	[ICRA]BBB(Stable)
NA	Non fund based-working capital facilities	-	-	-	30.00	[ICRA]A3+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Rahmco SRL	NA	Full Consolidation
Groupe LS S.A	NA	Full Consolidation
Safetix (Mid East) FZE	NA	Full Consolidation
LS Holding	NA	Full Consolidation
Beier Drawtex Healthcare Propreitory Ltd	NA	Equity method

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About ICRA Limited:

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