

Mochiko Shoes Private Limited

Instrument	Amount	Rating action
	In Rs. Crore	As on July 2016
Fund Based Limits- Long Term	13.98	[ICRA]BBB- (Stable); upgraded from [ICRA]BB+(Stable)
Unallocated Limits- Long Term	4.92	[ICRA]BBB- (Stable); upgraded from [ICRA]BB+(Stable)
Total	18.90	

ICRA has upgraded its long term rating on the Rs. 13.98 crore¹ fund based bank facilities and Rs. 4.92 crore unallocated limits of Mochiko Shoes Private Limited (MSPL) [†] to [ICRA]BBB- (pronounced ICRA triple B minus) from [ICRA]BB+ (pronounced ICRA double B plus). The outlook on the long term rating is 'Stable'.

The ratings upgrade is driven by the steady improvement in the credit profile of the Mochiko Group (which includes MSPL, Mochiko Shoes, Fabsol and Soltec in FY2016, backed by improved working capital management. This has resulted in steady deleveraging, with the group's gearing standing at 0.68 times, as on March 31, 2016. The group's coverage indicators have also improved over the years with interest coverage at 4.75 times for FY2016 and NCA/TD² at 61%. The rating upgrade also takes into account MSPL's healthy order book position and strong demand outlook from reputed clients, which include Reebok India, Adidas India Marketing Private Limited and Puma Sports India Private Limited.

The ratings also derive comfort from the long standing experience of MSPL's promoters, along with operational and financial synergies resulting from similar business operations in partnership concern, Mochiko Shoes and backward integration through two of its group companies, as most of its requirement of shoe soles is being met from these group entities. Nevertheless, the ratings are constrained by the Mochiko group's moderate scale of operations, lack of a hedging mechanism, as a significant proportion of the raw material requirements are met through imports and limited pricing flexibility which exposes its profitability to forex and pricing risk. ICRA also takes note of the client concentration risk to which the group is exposed.

Going forward, the ability of the group to diversify its client base, while continuing to maintain relationships with existing clients and bring about a sustained improvement in its profitability will be the key rating sensitivities.

Company Profile

MSPL was incorporated in 2007 by Mr. Virender Awal, as promoter. The company manufactures shoes at its main manufacturing units located in Dehradun, Uttarakhand, where the operations commenced in 2008. The company also has a second unit in Noida, Uttar Pradesh, where shoe uppers and accessories are manufactured. The total installed production capacity of MSPL is 14.40 lakh pairs of shoes per annum. The company has direct selling arrangements with Reebok India and Adidas India Marketing Pvt. Ltd. The other group companies- Mochiko Shoes is involved in manufacturing of shoes for Reebok India and Puma Sports India Private Limited while Fabsol and Soltec are engaged in manufacturing of shoe soles.

Recent Results

MSPL, on a provisional basis, reported a net profit of Rs. 2.91 crore on an operating income of Rs. 128.36 crore for FY2016, as compared to a net profit of Rs. 2.60 crore on an operating income of Rs. 110.33 crore for the previous year.

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¹ 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

² NCA/TD-Net Cash Accruals/Total Debt



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