



Press Release
AERO CLUB
November 14, 2023
Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	428.51	ACUITE BB Reaffirmed & Withdrawn	-
Bank Loan Ratings	40.27	Not Applicable Withdrawn	-
Bank Loan Ratings	37.22	-	ACUITE A4+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	506.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn long term rating of '**ACUITE BB**' (read as **ACUITE double B**) on the **Rs 428.51 Cr** and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.37.22 crore bank facilities of 'Aero Club'.

Acuite has also withdrawn the long term rating on the Rs 40.27 Cr **proposed** bank facilities of Aero Club.

The rating withdrawal is in accordance with Acuite's policy on withdrawal of ratings. The rating is being withdrawn on account of request received from the company and no objection certificate (NOC) received from the banker.

Rationale for reaffirmation

Acuite factors in experienced management, Improvement in Business, Moderate financial risk profile and adequate liquidity profile of the company. The revenue from operations of the company witnessed substantial improvement to Rs. ~1000 crore in FY2023 (Provisional) as against Rs. 745.72 crore in FY2022. Improvement in Revenue is on account of increase in price and Volume sale. The operating profit margin of the company moderated to 13.44 percent in FY2023 (Provisional) as against 15.91 percent in FY2022. Moderation is due one time inventory transfer to related party. PAT Margin improved & stood at 2.70 Percent in FY 2023(Prov.) as against 1.20 percent in FY 2022. Coupled to this coverage indicators witnessed minuscule improvement in FY 23(Prov.). Bank limit Utilization remain high.

About the Company

Set up in 1992, Delhi-based Aero Club is a partnership firm (Avatar Singh 40%, Harkirat Singh, Aero Traders Pvt. Ltd.- and Aero Associates Pvt. Ltd.) and a flagship firm of six-decade old Aero Group. The firm manufactures footwear and sells under the 'Woodland' or 'Wood' brands – a popular premium shoe brand, on a pan-India basis. While the footwear remains the firm's key product, it also deals in manufacturing and selling of apparels and accessories.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone view of business and financial risk profiles of Aero Club to arrive at the rating.

Key Rating Drivers

Strengths

Long track record of operations, experienced management, Strong brand image and integrated operations

Aero Club has a long track record of operations with the existence of Aero Group since early 1950s. Mr. Avatar Singh (partner and chairman of Aero Club) and Harkirat Singh (partner and managing director of Aero Club) have more than 2 decades of experience. Over the years, under the promoters' leadership, Aero Club has witnessed an expansion in scale of operations into a full-fledged footwear/apparel manufacturing and retail firm with more than 390 exclusive retail stores. The firm has backward integration in place starting from processing of raw leather to manufacturing and marketing of shoes. 'Woodland' is one of most popular footwear brand in the premium footwear segment. In fact, the strong brand image of 'Woodland' could help reap the benefits of expected improvement in premiumisation trend in the footwear segment in the long-run. The promoters, over the years, have also diversified into apparels and accessories to provide a rich experience to customers and diversify the operations.

Business risk profile

Aero club's operation witnessed substantial improvement which is apparent from growth in revenue from operations by ~34% in FY2023 (Prov.) to Rs~1000 crore as against Rs. 745.72 crore for FY2022.(improved by 86.65 percent over the last three years FY 21 to FY 23). The operating profit margin of the firm moderated by 248 bps in FY 23 (Prov.).

Operating Profit Margin of firm stood at 13.44% in FY2023 (Prov.) as against 15.91% in FY2022 however the net profit margin of the company improved by 150 bps and stood at 2.70 percent in FY2023 (Prov.) as against 1.20 percent in FY 22. ROCE of the firm stood at 10.10 times in FY2023 (Prov.).

Financial Risk Profile -Moderate

Aero club has moderate financial risk profile marked by high net worth and moderate debt protection metrics and moderate gearing. Firm's net worth stood at Rs. 573.67 Cr (Prov.) as on 31st March 2023 as against Rs.587.10 Cr as on 31st March 2022. Firm follows conservative leverage policy. Despite profit accretions gearing levels (debt-to-equity) witnessed negligible moderation and stood below unity at 0.99 times as on March 31, 2023 (Prov.) as against 0.97 times in FY 2022. Moderation in Gearing Ratio in FY 23 is on account of reconstitution of firm in Dec 22 and withdrawals by partners.

Further, the interest coverage ratio witnessed negligible improvement by 11 bps and stood moderate at 1.64 times for FY2023 (Prov.) as against 1.53 times in FY2022. Likewise, Debt Service coverage ratio improved by 18 bps and stood moderate at 1.21 times for FY2023 (Prov.) as against 1.03 times in FY2022. Total outside liabilities to total net worth (TOL/TNW) stood at 1.35 times as on FY2023 (Prov.) vis-à-vis 1.27 times as on FY2022. Debt-EBITA improved and stood at 4.09 times as on 31st March 2023(Prov.) as against 4.62 times as on 31st March 2022. The Net Cash Accruals to Total debt stood at 0.09 times as on FY2023 (Prov.) and 0.06 times for FY2022.

Weaknesses

Working capital operations- Intensive

Firm has improved yet intensive working capital requirements as evident from gross current assets (GCA) of 413 days in FY2023 (Prov.) as compared to 544 days in FY2022. Debtor days moderated by 7 days and stood at 53 days in FY2023 (46 days in FY2022). Inventory days witnessed substantial improvement of 129 days in FY 23 and stood at 278 days in FY 23(Prov.) as against 407 days in FY 22. Fund based working capital limits are utilized at ~99 per cent during the last twelve months ended April 23 while Non fund based limits utilization is ~78 percent.

Withdrawal of capital

As Aero Club is a partnership firm, there have also been instances of withdrawal of capital. there has also been net withdrawal of Rs.~ 40crore.

Moderation in Operating Margin

Operating margin of the firm witnessed continuous moderation in operating margin. Operating Profit Margin of firm stood at 13.44% in FY2023 (Prov.) as against 15.91% in FY2022.

Rating Sensitivities

Not Applicable

All Covenants

Not Applicable

Liquidity Position**Adequate**

Firm has adequate liquidity marked by net cash accruals to its maturing debt obligations, current ratio, cash and bank balance. Firm generated cash accruals of Rs. 51.31 crore for FY2023 (Prov.) as against repayment obligations of Rs. 27.41 crore for the same period. Current Ratio stood at 1.53 times as on 31 March 2023(Prov.). Fund based working capital limits are utilized at ~99 per cent during the last twelve months ended April 23 while Non fund based limits utilization is 78 percent. Cash and Bank Balances of company stood at Rs 2.64 crore.

Outlook:Not Applicable**Other Factors affecting Rating**

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	1000.34	745.72
PAT	Rs. Cr.	27.01	8.92
PAT Margin	(%)	2.70	1.20
Total Debt/Tangible Net Worth	Times	0.99	0.97
PBDIT/Interest	Times	1.64	1.53

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 Jul 2023	Letter of Credit	Short Term	34.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	18.59	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	254.92	ACUITE BB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	40.27	ACUITE BB Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.22	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	105.00	ACUITE BB Stable (Reaffirmed)
10 Aug 2022	Bank Guarantee	Short Term	3.22	ACUITE A4+ (Upgraded from ACUITE A4)
	Proposed Bank Facility	Long Term	0.57	ACUITE BB Stable (Assigned)
	Cash Credit	Long Term	105.00	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Secured Overdraft	Long Term	5.00	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Proposed Bank Facility	Long Term	1.36	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Letter of Credit	Short Term	34.00	ACUITE A4+ (Upgraded from ACUITE A4)
	Term Loan	Long Term	6.42	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Term Loan	Long Term	19.43	ACUITE BB Stable (Assigned)
	Cash Credit	Long Term	50.00	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Working Capital Demand Loan	Long Term	169.00	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Cash Credit	Long Term	112.00	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
06 Sep 2021	Secured Overdraft	Long Term	10.00	ACUITE BB- Stable (Assigned)
	Cash Credit	Long Term	50.00	ACUITE BB- Stable (Downgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	281.00	ACUITE BB- Stable (Downgraded from ACUITE BBB- Stable)
	Letter of Credit	Short Term	34.00	ACUITE A4 (Assigned)
	Cash Credit	Long Term	105.00	ACUITE BB- Stable (Downgraded from ACUITE BBB- Stable)
	Bank Guarantee	Short Term	3.22	ACUITE A4 (Assigned)
	Proposed Bank Facility	Long Term	2.78	ACUITE BB- Stable (Assigned)
07 May	Cash Credit	Long Term	105.00	ACUITE BBB- Stable (Assigned)
		Long		

2021	Cash Credit	Term	281.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	50.00	ACUITE BBB- Stable (Reaffirmed)
10 Nov 2020	Cash Credit	Long Term	50.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	3.22	ACUITE A4+ Reaffirmed & Withdrawn
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE BB Reaffirmed & Withdrawn
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	254.92	ACUITE BB Reaffirmed & Withdrawn
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	105.00	ACUITE BB Reaffirmed & Withdrawn
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	34.00	ACUITE A4+ Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	40.27	Not Applicable Withdrawn
Bank of Baroda	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	18.59	ACUITE BB Reaffirmed & Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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