

Leather And Leather Products

Industry Code (as per CMIE Prowess): 0101012505500000'

June 2022

Overall Industry Risk Score: **11/20 | Marginally Favourable**

Sample Size: 4 Companies

Median Rating Value of sample size: BBB+

Individual Parameters Contributing to the Score

Demand & Supply Balance  **8/20**

Moderate Over Supply

Leather goods forming part of discretionary demand were significantly impacted due to lockdown and travel restrictions during the pandemic. As per CMIE data, the production value of the industry increased by 45% from Rs.22.4 billion for FY21 to Rs.32.6 billion for FY22. The industry sales reported y-o-y growth by 19.8% from Rs.1.9 billion for March 2021 quarter to Rs.2.3 billion during the quarter ended March 2022. With the opening up of the economy, and relaxation of restrictions on offices and movement of people, the demand is expected to pick up in FY23.

Extent of Competition  **12/20**

Neutral

The industry remains highly fragmented with a significant presence of unorganised sector. However, established players with reputed brands are able to command a premium. Indian exporters also have to compete with those from other countries.

Regulatory Risk



12/20

Predictable Regulatory environment

High employment and export potential of the leather sector has been duly recognised in the regulatory/government stance towards this sector. The small and medium players can avail various schemes announced from time to time by both state and central governments. Adherence to stringent, environmental norms will impinge on the performance and profitability of the sector.

Input Related Risk



12/20

Largely predictable supply of inputs from diversified sources or Raw Materials with rare, occasional disruptions / fairly predictable price band

While the initial phase of the pandemic had seen some labour availability issues due to migration challenges, the issue has been largely resolved with unlocking of the economy. Government policies on livestock treatment and environmental norms will have an impact on performance.