

## Footwear

Industry Code (as per CMIE Prowess): 0101012505010000'

June 2022

Overall Industry Risk Score: **13/20 | Marginally Favourable**

Sample Size: 7 Companies

Median Rating Value of sample size: BBB+

### Individual Parameters Contributing to the Score

**Demand & Supply Balance**  **12/20**

#### DS Equilibrium

The industry has been significantly impacted by the lockdown induced by the Covid pandemic especially in the FY21. With the disruption in the retail industry and the restriction in movement of people, the demand for footwear was impacted. The industry was facing supply side challenges due to logistical constraints on imports of raw materials and labour availability. As per CMIE data, the industry reported a 25.86% growth in sales from Rs.11.2 billion in December 2020 to Rs.14.2 billion during the quarter ended December 2021. The exports value witnessed a sharp growth by 34.9% from Rs.138.8 billion in FY21 to Rs.187.2 billion in FY22. With opening up of the economy, and relaxation of restrictions on offices and movement of people, the demand is expected to pick up furthermore in FY23.

**Extent of Competition**  **8/20**

#### Fragmented Industry

This industry is highly fragmented and involves both unorganized local players as well as those with larger brands. The industry also faces threat from imports though the increase in import duty on footwear has partly offset the threat from Chinese imports.

## Regulatory Risk



16/20

Stable Regulatory environment

Government has several ongoing schemes to promote the development of new leather and footwear units as well as upgradation of technology. The leather tannery industry is subject to environmental regulations. Recently, import duty on footwear has been increased to support the margins of the indigenous industry.

## Input Related Risk



16/20

No supply disruptions / very narrow price band or fluctuations

The leather industry in India has abundance of raw materials with large livestock population. Imports from China continues for certain inputs. Given the larger share of exports, any unanticipated currency fluctuations impacts the industry.