**RATING RATIONALE**

**17 August 2020**

# HIKE SHOE PRIVATE LIMITED

**Brickwork Ratings reaffirmed Long Term ratings and assigned Short Term ratings for the bank loan Facilities of ₹ 11.96 Crores of Hike Shoe Private Limited.**

**Particulars :**

| Facility/ Instrument** | Previous Amount (₹ Cr) | Present Amount (₹ Cr) | Tenure | Previous Rating (April, 2019) | Present Rating |
|---|---|---|---|---|---|
| **Fund based**<br>Cash Credit Limit<br>Term Loan (O/S) | 11.00<br>1.64 | 11.00<br>0.96 | Long Term | BWR B+ Stable Reaffirmed | BWR B+ Stable Reaffirmed |
| **Fund Based**<br>Packing Credit (Sub limit of Cash Credit)<br>FDBP/FUDP (Sub limit of C.C) | ……..<br>……... | (2.00)<br>(2.00) | Short Term | …….. | BWR A4 Assigned |
| Total | 12.64 | 11.96 | INR Eleven Crores Ninety Six Lakhs Only | | |

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
** Details of Bank facilities/is provided in Annexure-I

## RATING ACTION/OUTLOOK

BWR has reaffirmed the Long Term rating of BWR B+ Stable and assigned a short term rating of BWR A4 for bank facilities of Hike Shoe Private Limited.

The ratings take into account the extensive experience of the promoter in the footwear manufacturing business for more than 15 years. However the rating is constrained by average

financial risk profile including decline in revenues and intense competition from other competitors.

BWR believes that the business risk profile of Hike Shoe Private Limited will be maintained over the medium term. The rating outlook may be revised to Positive if there is a significant improvement in company revenues and profitability margins. The rating outlook may be revised to 'Negative' if there is any further deterioration in the financial risk profile of the company.

## KEY RATING DRIVERS

**Credit Strengths:**

1. **Extensive Experience of Promoters in Footwear Manufacturing business:** The promoters of the company have extensive experience of 15 years in footwear manufacturing business that helps them to maintain a better relationship with their customers and suppliers as well. The company also has a long track record of more than 15 years in the market.

**Credit Risks:**

1. **Average Financial Risk Profile & Decline in revenues:** The company revenues has declined from Rs 34.30 crores in FY18 (Audited) to Rs 26.92 crores in FY19 (Audited). The company has average financial risk profile with high gearing level TD/TNW of 6.66 Times [TD/TNW (Analysed) of 2.99 Times], Debt Service Indicators with Interest Service Coverage Ratio of 1.35 Times and Debt Service Coverage Ratio of 0.91 Times along with elongated conversion cycle of 274 days in FY19 (Audited).
2. **Intense competition from other competitors:** The industry is fragmented with low value addition and intense competition from unorganised players and organised players such as Adidas, Puma, Nike etc. However by being in the industry for more than 15 years, the company has developed healthy long relationships with suppliers and customers.

**Analytical Approach and Applicable Rating Criteria**

For arriving at its ratings, BWR has considered the standalone approach for the Company. BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

## RATING SENSITIVITIES

Going forward,improvement in revenues, profitability margins, and gearing level will be the key rating sensitivities.

**Positive :** The rating will be upgraded if the company is able to make significant improvement in their revenues, profitability margins and gearing level.

**Negative :** The rating will be downgraded if there is any deterioration in the financial risk profile of the company.

**LIQUIDITY POSITION : Stretched**

The company has no associate concerns or subsidiary concerns.

The company has cash & bank balances of Rs 0.43 crores in FY19 (Audited). The company has average utilisation of 100% of their Cash Credit Limits for the last six months. The company has a long term debt of Rs 8.19 crores which comprises unsecured loans from directors and relatives of Rs 5.61 crores, term loans of Rs 1.79 crores, and car loans of Rs 0.80 crores in FY19 (Audited) . The company has current maturities of long term debt of Rs 1.08 crores, against the cash flows of Rs 1.56 crores in FY19 (Audited). The company has Interest Service Coverage Ratio of 1.35 Times and Debt Service Coverage Ratio of 0.91 Times in FY19 (Audited).The current ratio has been 1.43 Times as at FY19 (Audited). The company has a conversion cycle of 274 days in FY19 (Audited).

**About the Company**

Hike Shoe Private Limited was established in 2000 under the name and style of Hike Shoe Corporation, a partnership concern, Later it was converted into Private Limited Company under the name & style of M/s Hike Shoe Private Limited as on 20/05/2004. The company manufactures casual and sport shoes under the registered brand name Tracer. The company has its manufacturing unit located at Jalandhar,Punjab and Una Himachal Pradesh. The company is currently managed by Mr Nitin Kohli, Mr Sandeep Jain and other directors. The company 95% revenues comprises domestic sales and 5% revenues from export sales in Middle East Countries such as Dubai, and Kuwait.

**Key Financial Indicators**

| Key Parameters | Units | FY19 (Audited) | FY18 (Audited) |
|---|---|---|---|
| **Result Type** | | | |
| Operating Revenue | ₹ Cr | 26.92 | 34.30 |
| EBITDA | ₹ Cr | 2.98 | 3.01 |
| PAT | ₹ Cr | 0.33 | 0.38 |
| Tangible Net worth | ₹ Cr | 3.06 | 2.75 |
| TD:TNW | Times | 6.66 | 6.00 |
| Current Ratio | Times | 1.43 | 1.47 |

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY : Acuite B+ Stable Issuer Not Cooperating as on 11.06.2019.**

**Rating History for the last three years (Including Withdrawal and Suspended)**

| S.No | Instrument /Facility | Current Rating | | | Rating History | | |
|---|---|---|---|---|---|---|---|
| | | Type (Long Term/ Short Term) | Amount (₹ Crs) | Current Rating | 2019 | 2018 | 2017 |
| **1.** | **Fund Based**<br>Cash Credit Limit<br>Term Loan | Long Term | 11.00<br>0.96 | **BWR B+ Stable Reaffirmed** | **BWR B+ Stable Reaffirmed** | **BWR B+ Stable Assigned** | **NA** |
| **2.** | **Fund Based**<br>Packing Credit<br>(Sub limit of C.C)<br>FDBP/FUDP<br>(Sub limit of C.C) | Short Term | (2.00)<br><br>(2.00) | **BWR A4 Assigned** | **NA** | **NA** | **NA** |
| | **Total** | | **11.96** | **Eleven Crores Ninety Six Lakhs ₹ Only** | | | |

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

**Hyperlink/Reference to applicable Criteria**
**General Criteria**
**Approach to Financial Ratios**
**Manufacturing Companies**

| Analytical Contacts | Investor and Media Relations |
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**HIKE SHOE PRIVATE LIMITED**

**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

| Sl. No. | Name of the Bank | Type of Facilities | Long Term (₹ Cr) | Total (₹ Cr) |
|---|---|---|---|---|
| 1 | **Punjab National Bank**<br>**(Erstwhile Oriental Bank of Commerce)** | **Fund Based**<br>Cash Credit Limit<br>Term Loan<br><br>**Fund Based**<br>Packing Credit Limit (Sub limit of CC)<br>FDBP/FUBP (Sub limit of C.C) | **11.00**<br><br>**0.96**<br><br>**Short Term (₹ Cr)**<br>**(2.00)**<br><br>**(2.00)** | **11.96** |
| **TOTAL : INR ELEVEN CRORES NINETY SIX LAKHS ONLY** | | | | **11.96** |

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**About Brickwork Ratings** : Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non-convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partners. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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