

## Press Release

### Hike Shoe Private Limited (HSPL)

11 January, 2017

#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs.10.00 Cr
<b>Long Term Rating</b>	SMERA B+/Stable (Assigned)

*\*Refer Annexure for details*

#### Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.10.00 crore bank facility of Hike Shoe Private Limited (HSPL). The outlook is '**Stable**'.

The promoters, Mr. Nitin Kohli and Mr. Sandeep Jain have around two decades of experience in the footwear industry. The company was established in 2000 at Jalandhar, Punjab and is engaged in the manufacturing of shoes, slippers and sandals.

#### List of key rating drivers and their detailed description:

##### Strengths:

**Experienced management:** The promoters, Mr. Nitin Kohli and Mr. Sandeep Jain have around two decades of experience in the footwear industry.

**Established marketing and distribution channel:** The company has a well-established distributor network and also sells its products through e-commerce websites such as Amazon, Flipkart, Jabong to name a few.

##### Weaknesses:

**Average financial risk profile:** The average financial risk profile is marked by moderate interest coverage of 1.41 times in FY2016 as against 1.49 times in the previous year. The profitability margin stands low at 0.75 percent in FY2016 as against 0.91 percent in FY2015. The gearing ratio stands moderate at 1.02 times in FY2016 and 1.49 times in FY2015. The company has stretched working capital cycle marked by high GCA days of 363 in FY2016 and 447 in FY2015.

**Intense competition:** The company faces intense competition in the footwear industry.

**Analytical approach:** SMERA has considered the standalone business and financial risk profiles of the company.

#### Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

#### Outlook: Stable

SMERA believes that the company will maintain a stable outlook in the medium term owing to its experienced management and established marketing and distribution channel. The outlook may be revised to 'Positive' in case the company registers substantial growth in revenues and cash accruals

while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

### About the Company

HSPL, established in 2000 at Jalandhar, Punjab is engaged in the manufacture of shoes, slippers and sandals. The installed capacity stands at 4,75,000 pairs of shoes per annum. The company sells its products through B2B channels as also through e-commerce websites under the 'Tracer' brand name.

For FY2016, the company reported profit after tax (PAT) of Rs.0.19 crore on operating income of Rs.25.98 crore, as compared with PAT of Rs.0.19 crore on operating income of Rs.21.35 crore in FY2015. The net worth stood at Rs.9.56 crore as on March 31, 2016 against Rs.6.96 crore a year earlier. The net worth of Rs.9.56 crore in FY2016 includes quasi-equity of 7.33 crore.

**Status of non-cooperation with previous CRA (if applicable):** Not Applicable

**Any other information:** Not Applicable

### Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit**	LT	6.25	SMERA B+/Stable (Assigned)	-	-	-	-	-	-
Term Loan	LT	3.54	SMERA B+/Stable (Assigned)	-	-	-	-	-	-
Proposed Long Term	LT	0.21	SMERA B+/Stable (Assigned)	-	-	-	-	-	-

**\*\*Cash Credit includes a sublimit of Packing Credit – Rs.2.00 crore and Foreign Bill Purchase – Rs.2.00 crore**

### \*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/ Outlook
Cash Credit**	N.A	N.A	N.A	6.25	SMERA B+/Stable (Assigned)
Term Loan	N.A	N.A	September, 2023	3.54	SMERA B+/Stable (Assigned)
Proposed Long Term	N.A	N.A	N.A	0.21	SMERA B+/Stable (Assigned)

**\*\*Cash Credit includes a sublimit of Packing Credit – Rs.2.00 crore and Foreign Bill Purchase – Rs.2.00 crore**

### Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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**ABOUT SMERA**

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