

**APRIL 19, 2016**

## CARE REAFFIRMS THE RATING ASSIGNED TO THE BANK FACILITIES OF METRO & METRO

**Ratings**

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank facilities	24	<b>CARE A- [Single A Minus]</b>	<b>Reaffirmed</b>
Short-term Bank Facilities	5	<b>CARE A2+ [A Two Plus]</b>	<b>Reaffirmed</b>
<b>Total Facilities</b>	<b>29 (Rupees Twenty Nine crore only)</b>		

**Rating Rationale**

The ratings assigned to the bank facilities of Metro & Metro (Metro) continues to factor in the firm's healthy profitability margins and its healthy financial risk profile marked by comfortable gearing as well as the debt coverage indicators and Metro's healthy liquidity position. The ratings continue to derive strength from the extensive experience of the partners in the footwear business, the firm's long track record of operations and its well-managed operating cycle. The ratings are, however, constrained by the susceptibility of firm's profitability margins to volatility in the foreign exchange rates, customer concentration risks and its constitution being a partnership firm.

Going forward, the ability of the firm to maintain healthy profitability margins while effectively managing the foreign exchange fluctuation risk and, maintain a comfortable capital structure would be the key rating sensitivities.

**Background**

Metro was formed in 1991 as a partnership firm by Mr Dwarka Nath Kalsi and his son, Mr Ajit Nath Kalsi. In 2011, after the demise of Mr Dwarka Nath Kalsi, Mrs Meenakshi Kalsi (wife of Mr Ajit Nath Kalsi) joined the business as a partner. The firm is engaged in the manufacturing of leather footwear at its manufacturing plant situated at Agra with an installed capacity of 1,800,000 pairs per annum as on March 31, 2015. The firm is primarily into exports of shoes to the overseas retailers mainly based in Europe and USA. The major raw material used by the firm is leather; which it imports from Russia (around 50%) whereas the balance leather and soles are sourced from domestic market.

During FY15 (refers to the period April 01 to March 31), on a total operating income of Rs.138.07 crore, the company reported a PBILDT and PAT of Rs.19.84 crore and Rs.17.08 crore, respectively. Furthermore, as per the provisional results, the firm has registered sales of Rs.95 crore up to March 15, 2016.

**Analyst Contact**

Name: Ajay Dhaka

Tel: 011-45333218

Cell: +918826868795

 Email: [ajay.dhaka@careratings.com](mailto:ajay.dhaka@careratings.com)

<sup>1</sup> Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

## CONTACT

### Head Office Mumbai

**Mr. Sanjay Kumar Agarwal**

Mobile: + 91 8108007676

 E-mail: [sanjay.agarwal@careratings.com](mailto:sanjay.agarwal@careratings.com)
**Mr. Amod Khanorkar**

Mobile: + 91 9819084000

 E-mail: [amod.khanorkar@careratings.com](mailto:amod.khanorkar@careratings.com)

### CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: [care@careratings.com](mailto:care@careratings.com)

#### AHMEDABAD

**Mr. Mehul Pandya**

 32, Titanium, Prahaladnagar Corporate Road,  
 Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

 E-mail: [mehul.pandya@careratings.com](mailto:mehul.pandya@careratings.com)

#### BENGALURU

**Mr. Deepak Prajapati**

 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
 No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

 E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)

#### CHANDIGARH

**Mr. Sajan Goyal**

 2nd Floor, S.C.O. 196-197, Sector 34-A,  
 Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

 Email: [sajan.goyal@careratings.com](mailto:sajan.goyal@careratings.com)

#### CHENNAI

**Mr. V Pradeep Kumar**

 Unit No. O-509/C, Spencer Plaza, 5th Floor,  
 No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

 Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

#### COIMBATORE

**Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

 Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

#### HYDERABAD

**Mr. Saikat Roy**

 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
 Hyderabad - 500 029.

Cell : + 91 9820998779

Tel: +91-40-4010 2030

 E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)

#### JAIPUR

**Mr. Nikhil Soni**

 304, Pashupati Akshat Heights, Plot No. D-91,  
 Madho Singh Road, Near Collectorate Circle,  
 Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

 E-mail: [nikhil.soni@careratings.com](mailto:nikhil.soni@careratings.com)

#### KOLKATA

**Ms. Priti Agarwal**

 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
 10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

 E-mail: [priti.agarwal@careratings.com](mailto:priti.agarwal@careratings.com)

#### NEW DELHI

**Ms. Swati Agrawal**

 13th Floor, E-1 Block, Videocon Tower,  
 Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

 E-mail: [swati.agrawal@careratings.com](mailto:swati.agrawal@careratings.com)

#### PUNE

**Mr. Rahul Patni**

 9th Floor, Pride Kumar Senate,  
 Plot No. 970, Bhamburda, Senapati Bapat Road,  
 Shivaji Nagar, Pune - 411 015.

Cell: +91-78754 33355

Tel: +91-20- 4000 9000

 E-mail: [rahul.patni@careratings.com](mailto:rahul.patni@careratings.com)
**CIN - L67190MH1993PLC071691**