

APRIL 23, 2015

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF METRO & METRO

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	24 (enhanced from 20)	CARE A- [Single A Minus]	Assigned*
Short-term Bank Facilities	5	CARE A2+ [A Two Plus]	Revised from CARE A3 (A Three)
Total Facilities	29		

* facilities have been reclassified from short-term to long-term.

Rating Rationale

The revision in the ratings of bank facilities of Metro & Metro (Metro) takes into account the healthy growth in the firm's total operating income and profitability and improvement in its capital structure as well as debt coverage indicators. The ratings also factor in the firm's healthy liquidity position with a comfortable working capital cycle and its moderately diversified customer profile. The ratings continue to consider the experience of firm's partners in the footwear business and its long track record of operations. The ratings are, however, constrained by the susceptibility of firm's profitability margins to volatility in the foreign exchange rates and its constitution being a partnership firm.

Going forward, the ability of the firm to maintain a moderate profitability profile and 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 5,000 pair per day as on March 31, 2014. The firm is primarily into exports as it sells its shoes to the overseas retailers mainly based in Europe and USA. The firm has its own marketing offices located in its major markets viz. Germany, the UK 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 FY14 (refers to the period April 01 to March 31), on a total operating income of Rs.132.92 crore, the firm reported a PBILDT and PAT of Rs.14.54 crore and Rs.11.73 crore respectively as against a PBILDT and PAT of Rs.10.45 crore and Rs.7.70 crore on the total operating income of Rs.101.93 crore reported in FY13. Furthermore, as per the provisional results of 9MFY15 (refers to the period April 01 to December 31), the firm has reported sales of Rs.109.43 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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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.

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