

January 8, 2014

**CARE REAFFIRMS THE RATINGS ASSIGNED TO THE SHORT-TERM BANK FACILITIES
OF METRO & METRO**

Rating

Facility	Amount (Rs. crore)	Rating ¹	Remarks
Short-term Bank Facilities	25	CARE A3 [A Three]	Reaffirmed

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

Rating Rationale

The rating derives strength from the promoters' experience in the footwear industry, long track record of operations, moderate financial risk profile marked by comfortable capital structure and coverage indicators, and comfortable working capital cycle. The rating is, however, constrained by the constitution of the entity being a partnership firm, client concentration risk, volatility in the raw material prices and foreign exchange risk. Going forward, the ability of the firm to maintain its capital structure along with diversification of the client base would remain the key rating sensitivities.

Background

Metro & Metro (MM) was incorporated 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 shoes. The manufacturing plant is situated in Agra with an installed capacity of 5,000 pairs per day. The firm exports its entire production to the overseas retailers based in countries like Germany, USA and UK. The main raw materials are leather and soles. Approximately 70%-75% of the raw material requirement is met domestically.

During FY13 (refers to the period April 1 to March 31), MM reported a PAT of Rs.7.70 crore on a total operating income of Rs.101.84 crore as against a PAT of Rs.7.29 crore on a total operating income of Rs.118.14 crore in FY12.

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²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

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