

January 15, 2016

CARE REAFFIRMS RATINGS ASSIGNED TO BANK FACILITIES OF METRO SHOES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term /Short-term bank limits	25.00	CARE AA/CARE A1+ [Double A /A One Plus]	Reaffirmed
Total	25.00 (Rupees Twenty five crore Only)		

Rating Rationale

The reaffirmation of ratings assigned to bank facilities of Metro Shoes Limited (MSL) continues to derive strength from well established & experienced promoters, well established market presence and strong brand recognition, healthy operational performance & comfortable liquidity position and robust financial metrics characterised by unleveraged capital structure.

However, the rating strengths continues to be tempered by highly competitive & fragmented footwear retail industry, threat from international brands & emergence of e-commerce retailing in India and concentration on single line of business.

Any large debt funded capital expenditure impacting financial metrics of the company and efficient working capital management are key rating sensitivities.

Background

Incorporated in 1977, MSL is one of the leading footwear retailers in India. By end of September 2015 the company had 302 showrooms in over 90 cities across India. MSL is engaged in sale of its in-house brands (such as Metro, Mochi, MSL, Da Vinci) as well as other reputed brands like Franco Leone, Red Tape, Lee Cooper, Reebok, Nike, Fila, etc. For its in-house brands, MSL procures finished products from local/unorganized vendors.

At standalone level, the company reported Profit After Tax (PAT) of Rs. 79.26 crore on Total Operating Income of Rs. 702.34 crore in FY15 (refers to period April 01, to March 31,) as compared to PAT of Rs. 71.60 crore on TOI of Rs. 635.60 crore in FY14. Further, the company reported PAT of Rs. 36.53 crore on TOI of Rs. 369.82 crore in H1FY16 (refers to period April 01, to September 30,) as compared to PAT of Rs. 36.71 crore on TOI of Rs. 340.55 crore in H1FY15.

At consolidated level, the company reported PAT of Rs. 82.19 crore on TOI of Rs. 731.69 crore in FY15 as compared to PAT of Rs. 85.21 crore on TOI of Rs. 666.84 crore in FY14.

Analyst Contact

Name: Mr Divyesh Shah
Tel: 022-6754 3441
Cell: + 91 9890934167

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

Email: divyesh.shah@careratings.com

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

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer: CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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

Mr. Amod Khanorkar

Mobile: + 91 9819084000

E-mail: 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

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

BENGALURU
Mr. Dinesh Sharma

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,

No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-99000 41975

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

E-mail: dinesh.sharma@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

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

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

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

JAIPUR
Mr. Rakesh Jayaraman

304, Pashupati Akshat Heights, Plot No. D-91,

Madho Singh Road, Near Collectorate Circle,

Bani Park, Jaipur - 302 016.

Cell: +91 – 76655 96136

Tel: +91-141-402 0213 / 14

E-mail: rakesh.jayaraman@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

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

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

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