

JANUARY 23, 2015

CARE ASSIGNS 'CARE AA/CARE A1+' RATINGS TO THE BANK FACILITIES OF METRO SHOES LTD.

Ratings

Instruments	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term/Short-term Bank Facilities	25.00	CARE AA/CARE A1+ (Double A/A One Plus)	Assigned
Total Facilities	25.00		

Rating Rationale

The ratings assigned to the bank facilities of Metro Shoes Ltd. (MSL) derive strength from the substantial experience of its promoters in footwear retailing, MSL's well-established market presence & strong brand recognition, consistent revenue growth with stable profitability margins and robust financial metrics characterised by unleveraged capital structure & comfortable liquidity position.

The above strengths are partially offset by highly competitive and fragmented footwear retail industry, threats posed from international brands and emergence of eCommerce retailing in India, discretionary demand for footwear and concentration on single line of business.

The ability of MSL to sustain growth rate, maintain healthy financial metrics and manage its inventory efficiently is the key rating sensitivity.

Background

Incorporated in 1977, MSL, is one of the leading footwear retailers in India. As at September 2014 end, the company had 290 showrooms in 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/unorganised vendors.

MSL registered a total income of Rs.635 crore and net profit of Rs.72 crore in FY14 (refers to the period April 01 to March 31) as against a total income of Rs.558 crore and net profit of Rs.59 crore in FY13.

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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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