Metro Shoes Limited

February 14, 2017

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long/Short term bank facilities	25.00	**CARE AA; Stable/CARE A1+ [Double A; Outlook: Stable/A One Plus]**	Reaffirmed
Total facilities	**25.00 (Rs. Twenty Five Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale

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

However, the rating strengths continue 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.

Detailed description of the key rating drivers

MSL promoted by Mr Rafique Malik is the first-generation entrepreneur with more than three decades of experience in footwear retailing business and is supported by qualified and experienced management. Over the years, MSL has developed strong market presence with large network of retail showrooms spread across the country and enjoys high acceptability and recall for its various brands. As on September 30,2016, the company had 342 showrooms (as compared with 302 showrooms as on September 30, 2015) across India. MSL operates store chains under different names for different market segments.

MSL reported increase in income from operations by around 10% on account of increase in contribution of sales from high fashion stores. During H1FY17 (refers to period April 01, to September 30,) the company reported increase in revenue by 11% as compared to H1FY16 on account of higher contribution by high fashion stores and Crocs stores. The company continued to maintain a debt-free capital structure and healthy liquidity with cash and liquid investments of about Rs. 93 crore as on December 31, 2016. The company has also maintained a line of credit of Rs.25 crore to be utilised only in case of any unforeseeable fund requirements.

Footwear retailing continues to be highly competitive and fragmented space with large number of unorganized retailers. MSL also faces competition from several national and international organized and ecommerce retailers.

Analytical approach: Standalone

Applicable Criteria

CARE's criteria on assigning Outlook to Credit Ratings
CARE's policy on Default Recognition
CARE's methodology for Short-term Instruments
Financial ratios – Non-Financial Sector
CARE's methodology for retail companies

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

About the Company

Incorporated in 1977, MSL is one of the leading footwear retailers in India. By end of September 30, 2016 the company had 342 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. 82.05 crore on Total Operating Income (TOI) of Rs. 773.41 crore in FY16 (refers to period April 01, to March 31,) as compared to PAT of Rs. 79.26 crore on TOI of Rs. 702.34 crore in FY15.

Further, the company reported PAT of Rs. 37.19 crore on TOI of Rs. 411.10 crore in H1FY17 (refers to period April 01, to September 30,) as compared to PAT of Rs. 36.53 crore on TOI of Rs. 368.82 crore in H1FY16.
At consolidated level, the company reported PAT of Rs. 87.41 crore on TOI of Rs. 808.88 crore in FY16 as compared to PAT of Rs. 82.19 crore on TOI of Rs. 731.69 crore in FY15.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *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.*

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund Based/Non Fund Based-LT/ST	-	-	-	25.00	CARE AA; Stable / CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Commercial Paper	ST	-	-	-	-	1)Withdrawn (28-Nov-14)	1)CARE A1+ (08-Nov-13)
2.	Fund Based/Non Fund Based-LT/ST	LT/ST	25.00	CARE AA; Stable / CARE A1+	-	1)CARE AA / CARE A1+ (15-Jan-16)	1)CARE AA / CARE A1+ (23-Jan-15)	-

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