

January 25, 2013

**CARE ASSIGNS 'CARE A3' RATING TO THE BANK FACILITIES OF METRO & METRO**

**Ratings**

<b>Facilities/Instruments</b>	<b>Amount (Rs. crore)</b>	<b>Ratings<sup>1</sup></b>	<b>Remarks</b>
Short-term Bank Facilities	25	<b>CARE A3 [A Three]</b>	Assigned
<b>Total Facilities</b>	<b>25</b>		

**Rating Rationale**

The rating derives strength from the long track record, experienced promoters and healthy 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, susceptibility of the business to the government regulations, volatility in the raw material prices and foreign exchange risk.

Going forward, the ability of the company 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. The firm is engaged in the manufacturing of leather shoes. The manufacturing plant is situated in Agra with the installed capacity of 5,000 pairs per day. The firm is 100% into exports. The products are sold to the overseas retailers, who use their own brands. The clients are mainly based in Germany, USA and UK. The main raw materials used by MM are leather and soles. Approximately 70%-75% of RM requirement is met domestically.

In FY12 (refers to the period April 1 to March 31), MM reported a PAT of Rs.7.29 crore on the total income of Rs.118.14 crore. On a provisional basis, MM reported PAT of Rs.8.94 crore on a total income of Rs.60.34 crore in H1FY13.

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

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<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

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