

## Metro and Metro

February 02, 2018

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term/ Short term Bank Facilities	24.00	<b>CARE BBB+; Stable/ CARE A2; ISSUER NOT COOPERATING* (Triple B Plus; Outlook: Stable/ A Two; Issuer not cooperating)</b>	Issuer not cooperating; Revised from CARE A-; Stable/ Care A2+ (A Minus; Outlook: Stable/ A Two Plus) on the basis of best available information
Short term Bank Facilities	5.00	<b>CARE A2; ISSUER NOT COOPERATING* (A Two; Issuer not cooperating)</b>	Issuer not cooperating; Revised from CARE A2+ (A Two Plus) on the basis of best available information
<b>Total Facilities</b>	<b>29.00 (Rupees Twenty nine crore only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Metro and Metro (Metro) to monitor the ratings vide e-mail communications/ letters dated January 23, 2018, January 17, 2018, January 3, 2018, November 15, 2017, November 6, 2017, October 30, 2017, October 20, 2017, October 13, 2017, October 9, 2017, September 11, 2017, September 5, 2017, August 14, 2017, August 9, 2017, July 28, 2017, July 24, 2017, July 19, 2017 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Metro and Metro's bank facilities will now be denoted as **CARE BBB+; Stable/CARE A2; ISSUER NOT COOPERATING\*** and **CARE A2; ISSUER NOT COOPERATING\***.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.**

The ratings have been revised on account of non-receipt of information and hence CARE is not able to conduct appropriate analysis.

### Detailed description of the key rating drivers

*At the time of last rating on February 24, 2017 the following were the rating strengths and weaknesses:*

#### Key Rating Strengths

**Experienced partners and long track record of operations:** Metro was formed in 1991 and is currently managed under the partnership of Mr Ajit Nath Kalsi and his wife Mrs Meenakshi Kalsi. The firm has a long track record of operations for more than two decades. Prior to 1991, the partners were engaged in shoe manufacturing business for more than 20 years. This long-standing experience of partners in shoe manufacturing business and long track record of operations has enabled the firm to establish itself in the industry.

**Healthy profitability:** The firm's PBILDT margins decreased to 11.26% in FY16 (refers to the period April 01 to March 31) (PY: 14.37%) largely on account of increase in raw material cost and lower fixed cost absorption due to lower sales. As a result of decline in PBILDT margins, the PAT margin also moderated to 8.73% in FY16 (PY: 12.37%). Nevertheless, the profitability margins continued to remain healthy.

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

**Comfortable financial risk profile and healthy liquidity position:** The overall gearing of the firm continued to remain comfortable at 0.27x as on March 31, 2016 (PY: 0.24x) as the firm does not have any long term debt and its net worth stood healthy at Rs.37.67 crore as on March 31, 2016 (PY: Rs.39.11 crore). The debt coverage indicators continued to remain comfortable as reflected by interest coverage of 12.23x in FY16 (PY: 19.74x). The liquidity position of the firm is supported by cash and bank balance of Rs.10.65 crore as on March 31, 2016. Furthermore, the utilization of the working capital limits also stood low at 42% for the last 12 month ending December 2016 due to its comfortable operating cycle of 39 days as on March 31, 2016 (PY: 23 days).

#### Key Rating Weaknesses

**Customer concentration risk:** Metro's revenue profile is highly concentrated with top 10 customers constituting 87% of the total sales in FY16 (PY: 75%). Its sales to single largest customer continued to remain high at 43% in FY16, though decreased from 46% in FY15. However, the firm has established long term relationship of 10-15 years with its existing customers which off-sets the revenue concentration risk to a large extent.

**Foreign exchange fluctuations risk:** The firm's profitability margins are susceptible to the volatility in the foreign exchange rates due to export oriented nature of business. However, about 30% of its total raw material is imported, thereby providing it a natural hedge to some extent. Nonetheless, the firm continues to remain exposed to foreign exchange fluctuation risk for the remaining portion as it hedges about 8%-10% of total outstanding exposure. The firm registered foreign exchange fluctuation gain of Rs.0.80 crore in FY16.

**Constitution being a partnership firm:** Metro's constitution as a partnership firm has the inherent risk of possibility of withdrawal of the partner's capital at the time of personal contingency and the firm being dissolved upon the death/retirement/insolvency of partners. Moreover, partnership firm has restricted access to external borrowing as credit worthiness of partners would be the key factor affecting credit decision for the lenders.

**Analytical approach:** Standalone

#### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)  
[Criteria on assigning Outlook to Credit Ratings](#)  
[CARE's Policy on Default Recognition](#)  
[Criteria for Short Term Instruments](#)  
[Rating Methodology-Manufacturing Companies](#)  
[Financial ratios - Non-Financial Sector](#)

#### About the Firm

Metro was formed 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 footwear at its manufacturing plant situated at Agra with an installed capacity of 18,00,000 pairs per annum as on March 31, 2016. The firm is primarily into exports as it sells its shoes to the overseas retailers mainly based in Europe and USA.

Brief Financials (Rs. crore)	FY16 (A)
Total operating income	109.41
PBILDT	12.31
PAT	9.56
Overall gearing (times)	0.27
Interest coverage (times)	12.23

A: Audited

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History (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](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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**About CARE Ratings:**

CARE Ratings commenced operations in April 1993 and over nearly 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.

**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/outlooks 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 /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

**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 - LT/ ST-EPC/PSC	-	-	-	10.00	CARE BBB+; Stable / CARE A2; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit	-	-	-	5.00	CARE A2; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-Bills discounting/ Bills purchasing	-	-	-	10.00	CARE BBB+; Stable / CARE A2; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-Stand by Line of Credit	-	-	-	4.00	CARE BBB+; Stable / CARE A2; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

## 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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT/ ST-EPC/PSC	LT/ST	10.00	CARE BBB+; Stable / CARE A2; ISSUER NOT COOPERATING*	-	1)CARE A-; Stable / CARE A2+ (24-Feb-17) 2)CARE A- (19-Apr-16)	1)CARE A- (23-Apr-15)	-
2.	Non-fund-based - ST-Letter of credit	ST	5.00	CARE A2; ISSUER NOT COOPERATING*	-	1)CARE A2+ (24-Feb-17) 2)CARE A2+ (19-Apr-16)	1)CARE A2+ (23-Apr-15)	-
3.	Fund-based - LT/ ST-Bills discounting/ Bills purchasing	LT/ST	10.00	CARE BBB+; Stable / CARE A2; ISSUER NOT COOPERATING*	-	1)CARE A-; Stable / CARE A2+ (24-Feb-17) 2)CARE A- (19-Apr-16)	1)CARE A- (23-Apr-15)	-
4.	Fund-based - LT/ ST- Stand by Line of Credit	LT/ST	4.00	CARE BBB+; Stable / CARE A2; ISSUER NOT COOPERATING*	-	1)CARE A-; Stable / CARE A2+ (24-Feb-17) 2)CARE A- (19-Apr-16)	1)CARE A- (23-Apr-15)	-

\*Issuer did not cooperate; Based on best available information

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