

April 05, 2024

Metro Exporters Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/ Short-term – Unallocated Limits	15.00	15.00	[ICRA]BBB- (Stable)/[ICRA]A3; Reaffirmed
Total	15.00	15.00	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of ratings of Metro Exporters Private Limited (MEPL) factors in its established operational track record and the extensive experience of its promoters in the multi-product trading business, and its established relationships with key customers across geographies. In FY2023, MEPL's top line grew by 18% to Rs. 92.1 crore. Growth came on the back of a lower revenue base and was supported by increase in revenues of the chemicals business as well as the scale up of operation of one of its subsidiaries. The company's top line for FY2024 is estimated to be Rs. 94 crore. Moreover, the ratings draw comfort from MEPL's financial flexibility supported by its continued debt-free status and adequate liquidity position with cash and liquid investments of ~Rs. 62 crore as on March 20, 2024.

The ratings, however, remain constrained by MEPL's modest scale of operations, which has been range-bound in recent years. Coupled with the trading nature of its operations and the high competitive intensity of business, this resulted in operating losses for MEPL in the past. While the company has reported positive operating margins in FY2023 and FY2024, absolute profitability has remained modest. MEPL's profitability remains vulnerable to foreign currency fluctuations as majority of its revenue is generated from exports. Also, its revenues and profitability remain exposed to geopolitical risks and demand fluctuations in its key African, West Asian and South American markets, which account for a significant portion of its revenue.

The Stable outlook on the long-term rating reflects ICRA's expectation that MEPL's credit profile will be supported by its comfortable capital structure and liquidity profile despite modest accrual generation over the near to medium term.

Key rating drivers and their description

Credit strengths

Extensive experience of the promoter and established operational track record of the company in the trading business – Incorporated in 1964, MEPL has an extensive operational track record in the multi-product trading business. Also, its promoters have an extensive experience in this business from which the company continues to benefit. MEPL is currently engaged in trading engineered goods, chemicals, and miscellaneous products, which are exported to African, Asian, and South American markets, where manufacturers are either unable to market their products or lack a distribution network.

Debt-free capital structure imparts financial flexibility – MEPL continues remain to maintain a comfortable capital structure by virtue of its debt-free operations. The company is likely to remain debt-free in the near to medium term as well. Moreover, MEPL's net worth position continues to remain comfortable with modest accrual generation, which provides financial flexibility.

Liquidity position supported by sizeable free cash and liquid investments – MEPL continues to maintain an adequate liquidity profile supported by cash and mutual fund investments of ~Rs. 60-62 crore as of mid-March 2024, on a consolidated basis. MEPL has parked the surplus liquidity primarily in mutual funds, which also helps in generating returns, supporting the net profitability.

Credit challenges

Modest scale of operations and highly competitive intensity continues to result in minimal operating profits – With a top line of ~Rs. 92.1 crore in FY2023 and almost a similar estimated level in FY2024, the company continues to be a modest sized player in the industry, resulting in limited economies of scale. Moreover, the trading nature of its operations and high competitive intensity of its business have resulted in operating losses for MEPL in the past. While the company has reported positive operating margins in FY2023 and FY2024, absolute profitability has remained modest.

High geographical concentration leaves revenues and profitability vulnerable to demand fluctuations and geopolitical risks – MEPL's geographic concentration continues to remain high with its top five countries accounting for more than 65% of its total revenues. It continues to receive a sizeable share of business from the African, West Asian and South American markets, thereby exposing its revenues and profitability to geopolitical risks and demand fluctuations.

Vulnerability to currency rate fluctuations with major sales through exports – MEPL is a two-star export house that receives its entire revenues through exports that are largely Dollar denominated. Thus, the company's profitability remains vulnerable to adverse movement in foreign exchange (forex) rates. Nonetheless, the exposure is mitigated to an extent from the forward contracts that the company typically enters.

Liquidity position: Adequate

MEPL's liquidity profile remains **adequate** with unencumbered cash and liquid investments of ~Rs. 62 core as on March 20, 2024, and modest internal accruals generation. Further, the company continues to remain debt-free with no debt-funded capex plans.

Rating sensitivities

Positive factors – ICRA could upgrade MEPL's ratings if it demonstrates turnaround in operations with healthy revenue growth and improvement in operating profits from its core business operations, while maintaining adequate liquidity on a sustained basis.

Negative factors – Negative pressure on MEPL's rating could arise in case of any significant decline in revenues or any considerable operating losses. Moreover, any considerable deterioration in the company's capital structure or liquidity position could also trigger a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the consolidated financial statements.

About the company

Established in 1964, MEPL is a two-star trading house dealing in bicycles and parts, textiles, pharmaceuticals, diesel engines, chemicals, dyes, inverters and UPS systems, among others. MEPL plays the role of a facilitator, whereby it enables sales of products manufactured by companies in the field of engineering goods, chemicals, pharmaceuticals and textiles, etc, to markets in Africa, West Asia and South America, where manufacturers are either unable to market their products or lack a distribution network.

The company's branches are spread across Ludhiana, Chandigarh and Kolkata, while its liaising offices are at Mumbai and Madurai. The company also holds shares in its associate companies, which are involved in trading, bicycle parts manufacturing and investment businesses.

Key financial indicators (audited)

MEPL - Consolidated	FY2022	FY2023
Operating income	78.0	92.1
PAT	5.0	7.1
OPBDIT/OI	-1.0%	3.6%
PAT/OI	6.4%	7.7%
Total outside liabilities/Tangible net worth (times)	0.1	0.1
Total debt/OPBDIT (times)	0.0	0.0
Interest coverage (times)	-8.7	23.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of March 31, 2024 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				April 05, 2024	April 03, 2023	-	March 09, 2022
1 Unallocated Limits	Long term and short term	15.00	-	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BBB-(Stable)/[ICRA]A3	-	[ICRA]BBB-(Stable)/[ICRA]A3

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long Term/Short Term – Unallocated Limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Unallocated Limits	NA	NA	NA	15.00	[ICRA]BBB- (Stable)/[ICRA]A3

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	MEPL's Ownership	Consolidation Approach
Metro Emirates Limited	100.00%	Full Consolidation
Hamilton Industries Private Limited	100.00%	Full Consolidation
Mira Cycles Private Limited	100.00%	Full Consolidation
Metro Investments Private Limited	88.56%	Full Consolidation
Venus Engineering Works & Foundry Private Limited	61.12%	Full Consolidation

Source: MEPL annual report FY2023

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Branches



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