

March 31, 2026

## Metropolitan Eximchem Pvt. Ltd.: Ratings placed on watch with negative implications and assigned for enhanced amount

### Summary of rating action

Instrument <sup>^</sup>	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Short term - Fund based limits	8.00	50.00	[ICRA]A1; placed on rating watch with negative implications; assigned for enhanced amount
Short term – Non-fund based limits	12.55	5.00	[ICRA]A1; placed on rating watch with negative implications
Long term- Fund based - Term loan	18.42	40.00	[ICRA]A; placed on rating watch with negative implications; assigned for enhanced amount
Long term/Short term - Fund based/Non-fund based	5.00	-	-
Long term/Short term - Unallocated	36.03	-	-
Short term fund based and non-fund based – Interchangeable limits*	-	(50.00)	[ICRA]A1; placed on rating watch with negative implications; assigned for enhanced amount
<b>Total</b>	<b>80.00</b>	<b>95.00</b>	

<sup>^</sup>Instrument details are provided in Annexure-I; \*Sublimit of pre-shipment financing, post-shipment/CC limit should not exceed Rs. 50.00 crore; LC should not exceed Rs. 50 crore and BG should not exceed Rs 5.00 crore.

### Rationale

The ratings of Metropolitan Eximchem Private Limited (MEPL) have been placed on watch with negative implications on account of heightened near-term uncertainty arising from the ongoing West Asia conflict, which has exacerbated the volatility in raw material prices, logistics costs and demand conditions. While MEPL continues to exhibit a healthy financial risk profile, marked by a strong tangible net worth, negligible leverage, comfortable coverage indicators and a robust liquidity position, pressures on its operating performance have intensified.

After a moderation in operating income in FY2024, the company reported a recovery in FY2025, with the operating income increasing by 18% YoY to Rs. 307 crore. However, the profitability moderated during the year, with the operating margin declining to 10.6% in FY2025 from 13.13% in FY2024, reflecting elevated raw material costs and subdued pricing power amid a weak global specialty chemical environment. In 9M FY2026, the operating performance weakened significantly, with the operating income declining to Rs. 175.1 crore, impacted by prolonged demand slowdown in the export markets and continued inventory correction at the customer end, although the operating margins remained broadly stable at ~11%. Despite the pressure on operating performance, MEPL's liquidity profile remains strong, supported by sizeable cash balances and liquid investments and a strong net worth base.

The company has drawn down around Rs. 15 crore in January 2026 from a sanctioned term loan to partly fund the ongoing capex at the Jhagadia facility; while this has resulted in the addition of debt, any further drawdown may moderate the leverage and coverage indicators from their current strong levels, though these are expected to remain comfortable given MEPL's healthy cash accruals, sizeable liquidity buffer and prudent financial management.

The ratings continue to factor in the company's diversified profile of niche products, entailing better margins (compared to a more commoditised product mix) and limiting the competition. The ratings derive comfort from the management's strong

technical expertise in the chemical manufacturing business spanning over five decades, supported by established business relationships with reputed customers in the domestic and overseas markets.

The ongoing Rs. 60–80 crore capex at the Jhagadia facility, funded largely through internal accruals with limited reliance on debt is nearing completion. Further, due to the nature of its operations, the company remains exposed to environmental risks. ICRA also notes the susceptibility of its margins to currency fluctuations, although a natural hedge from exports mitigates this risk to some extent.

The watch with negative implications on the [ICRA]A rating reflects heightened concerns arising from elevated geopolitical risks, weaker demand visibility and sustained pressure on the profitability, indicating the possibility of a deterioration in the credit profile should these adverse conditions persist or intensify.

## Key rating drivers and their description

### Credit strengths

**Comfortable debt protection indicators and healthy liquidity position** – MEPL’s healthy cash accruals and strong liquidity profile have continued to limit its reliance on external borrowings. The company availed a term loan of Rs. 15 crore in January 2026 to partly fund the ongoing capex at the Jhagadia facility; in addition, the working-capital borrowings stood at Rs 7.0 crore as on March 31, 2025. Despite the incremental debt, the company’s tangible net worth improved to Rs. 399.5 crore as on March 31, 2025, supported by healthy internal accruals, and the gearing remained low at around 0.02 times. The debt protection indicators continue to be comfortable, given the modest debt levels and low finance costs. The liquidity profile remains strong, supported by free cash balance of Rs. 12.8 crore and liquid investments of Rs. 115.7 crore as on December 31, 2025, providing adequate cushion against periods of volatility in cash flow generation during the ongoing capex and the demand recovery phase.

**Diversified profile of high-margin niche products limits competition** – MEPL develops highly specialised products, supported by its strong in-house research and development (R&D) as well as its collaboration with customers. As the products are highly specialised in nature, requiring technical expertise, MEPL can command higher margins for them. This also limits the competition from domestic and overseas players. Moreover, it takes time to develop the products according to a customer’s needs and specifications. Hence, it is difficult for a customer to shift to another supplier.

**Extensive experience of MEPL’s management in the chemical industry** – The company is managed by the promoter, Mr. Nagin Sheth, along with his son, Mr. Rajiv Sheth and his grandson, Mr. Kairav Sheth. The management has strong technical expertise in the chemical manufacturing business spanning over five decades. This ensures established business relationships with reputed customers in the domestic and overseas markets.

### Credit challenges

**Demand pressures expected owing to recessionary fears** – MEPL’s operating income improved to Rs. 307.4 crore in FY2025 after a moderation in FY2024, supported by a recovery in volumes during the latter part of the year. However, the operating performance weakened in 9M FY2026, with the operating income declining to Rs. 175.1 crore, impacted by a prolonged slowdown in global specialty chemicals demand, particularly in the export markets, and continued destocking by customers. The demand conditions remain subdued, with overseas customers adopting a cautious procurement stance amid heightened macroeconomic and geopolitical uncertainties. While some stabilisation has been observed in order enquiries, the revenue visibility remains constrained over the near term, and a sustained recovery in demand is expected to be gradual rather than immediate.

**Vulnerability to high regulatory risk due to nature of operations** - The chemical industry attracts considerable attention on issues related to air/water pollution. The implementation of stringent pollution control norms led to the operational closure of many players who could not meet the control standards. Further, the Dombivali unit’s presence within city limits increases

the risk of tightened regulations, making MEPL’s operations vulnerable to any unfavourable regulatory (environmental) policy changes.

**Margins susceptible to foreign currency fluctuations and inventory risk** - MEPL’s profitability is exposed to the volatility in foreign currency exchange rates as exports account for 60-80% of its total revenues. Any adverse movement in the rupee-dollar exchange rate could have a significant impact on its margins. However, the forex fluctuation risk is partly mitigated to an extent by natural hedging as imports account for 15-20% of MEPL’s total purchases. Moreover, the company enters into forward contracts, depending on the prevailing market conditions. In the current scenario, wherein the rupee is depreciating against the dollar, the company is benefiting as it is a net exporter; however, this advantage is partly offset by higher volatility in input costs and freight charges arising from the ongoing geopolitical disruptions.

### Liquidity position: Strong

The company’s liquidity position is strong, reflected in a free cash balance of Rs. 12.8 crore and liquid investments (in quoted mutual funds and shares) of Rs. 115.7 crore as on December 31, 2025. The liquidity is also supported by undrawn limits against the considerable drawing power enjoyed by the company. MEPL is in the final stages of undertaking a Rs. 60–80 crore capex at the Jhagadia facility, funded primarily through internal accruals and insurance proceeds and a Rs. 40-crore term loan, of which Rs. 15 crore has already been drawn in January 2026. Further, the company’s annual debt repayment obligations of around Rs. 3.0 crore over the medium term are expected to be met comfortably through internal cash accruals and existing liquidity buffers.

### Rating sensitivities

**Positive factors** – ICRA could resolve the watch once more clarity emerges on the impact of the ongoing West Asia conflict on the company’s operating income and profitability.

**Negative factors** – The rating can be revised downwards in case of a significant decline in operating income or profitability, resulting in pressure on the liquidity position.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Chemicals</a>
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

### About the company

MEPL manufactures specialty chemicals and intermediates, which find application in diverse industries such as textiles, paints, electronics, plastics and agriculture. The company’s registered office is in Mumbai and its manufacturing units are at Dombivli (Thane district, Maharashtra) and Jagadia (Gujarat), with a total installed production capacity of 6,550 metric tonnes per annum (MTPA). Its operations are ISO 9001:2015 certified.

Melog Speciality Chemicals Pvt. Ltd. (MSCPL) and Sunbeam Monochem Pvt. Ltd. are MEPL’s associate companies, manufacturing monomers, specialty chemicals and dye intermediates. In FY2022, MEPL bought additional shares from OG Corporation and at present holds 48.95% of MSCPL’s shares.

**Key financial indicators (audited)**

	FY2024	FY2025	9MFY2026*
<b>Operating income</b>	261.01	307.40	175.13
<b>PAT</b>	37.78	38.19	20.74
<b>OPBDITA/OI</b>	13.13%	10.63%	11.24%
<b>PAT/OI</b>	14.48%	12.42%	11.85%
<b>Total outside liabilities/Tangible net worth (times)</b>	0.16	0.20	0.15
<b>Total debt/OPBDITA (times)</b>	0.24	0.25	0.00
<b>Interest coverage (times)</b>	37.60	49.20	54.37

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amounts in Rs. crore; \* Provisional*

*Note: All financial ratios as per ICRA's calculation*

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

**Any other information: None**

## Rating history for past three years

Instrument	Current (FY2026)		Chronology of rating history for the past 3 years							
	Type	Amount Rated (Rs. crore)	FY2026		FY2025		FY2024		FY2023	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
<b>Term loan</b>	Long Term	40.00	Mar 31, 2026	[ICRA]A; rating watch with negative implications	Jan 28, 2025	[ICRA]A (Stable)	Oct 30, 2023	[ICRA]A (Stable)	Nov 01, 2022	[ICRA]A (Stable)
<b>Pre-shipment and post-shipment credit</b>	Short term	50.00	Mar 31, 2026	[ICRA]A1; rating watch with negative implications	Jan 28, 2025	[ICRA]A1	Oct 30, 2023	[ICRA]A1	Nov 01, 2022	[ICRA]A1
<b>Letter of credit</b>	Short term	5.00	Mar 31, 2026	[ICRA]A1; rating watch with negative implications	Jan 28, 2025	[ICRA]A1	Oct 30, 2023	[ICRA]A1	Nov 01, 2022	[ICRA]A1
<b>Interchangeable limits</b>	Short term	(50.00)	Mar 31, 2026	[ICRA]A1; rating watch with negative implications	-	-	-	-	-	-
<b>Bank guarantee</b>	Short term	-	-	-	Jan 28, 2025	[ICRA]A1	Oct 30, 2023	[ICRA]A1	Nov 01, 2022	[ICRA]A1
<b>MTM limits</b>	Short term	-	-	-	Jan 28, 2025	[ICRA]A1	Oct 30, 2023	[ICRA]A1	Nov 01, 2022	[ICRA]A1
<b>Fund based and non-fund based*</b>	Long term/short term	-	-	-	Jan 28, 2025	[ICRA]A (Stable)/[ICRA]A1	Oct 30, 2023	[ICRA]A (Stable)/[ICRA]A1	Nov 01, 2022	[ICRA]A (Stable)/[ICRA]A1
<b>Unallocated amount</b>	Long term/short term	-	-	-	Jan 28, 2025	[ICRA]A (Stable)/[ICRA]A1	Oct 30, 2023	[ICRA]A (Stable)/[ICRA]A1	Nov 01, 2022	[ICRA]A (Stable)/[ICRA]A1

Note - Amount in Rs. crore; \*Overdraft facility should not exceed Rs 5 crore; pre-shipment/post-shipment/CC limit should not exceed Rs. 5.00 crore; LC should not exceed Rs. 4.5 crore and BG should not exceed Rs.2.00 crore

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Short term - Fund-based limits	Simple
Short term – Non-fund based limits	Simple
Long term- Fund based - Term loan	Simple
Short term fund based and non-fund based – Interchangeable limits	Simple

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	Term loan	March 2021	7.50%	FY2027	40.00	[ICRA]A; rating watch with negative implications
NA	Pre-shipment and post-shipment credit	NA	NA	NA	50.00	[ICRA]A1; rating watch with negative implications
NA	Bank guarantee	NA	NA	NA	5.00	[ICRA]A1; rating watch with negative implications
NA	Interchangeable limits*	NA	NA	NA	(50.00)*	[ICRA]A1; rating watch with negative implications

**Source:** Company; \*Sublimit of pre-shipment financing, post-shipment/CC limit should not exceed Rs.50.00 crore; LC should not exceed Rs. 50 crore and BG should not exceed Rs 5.00 crore.

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

**Annexure II: List of entities considered for consolidated analysis – Not Applicable**

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