

Press Release

Macro Polymers Private Limited

April 01, 2020



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 70.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB-**' (read as ACUITE triple B minus) on the Rs. 70.00 crore bank facilities of MACRO POLYMERS PRIVATE LIMITED (MPPL). The outlook is '**Stable**'.

MPPL was established as a proprietorship concern in 1962 by Mr. Shirish Parikh and later in the year 1995 the constitution was changed to private limited company. MPPL is engaged in manufacturing of synthetic resins such as Alkyd Resins, Butylated Melamine Acrylic Resins, Epoxy Resin, and Epoxy Hardner & Ketone Resin which find application in paints, inks and adhesive industry. The company has two manufacturing facilities located at Odhav & Moraiya with a combined capacity of 6000 MT per day. The company is ISO 9001:2008, 14001:2004 & 18001:2007 certified and the R&D Centre is recognized by Government of India, Department of Scientific & Industrial Research Ministry of Science & Technology.

Analytical Approach

Acuité has taken consolidated financials of Macro Polymers Private Limited and its three subsidiaries, namely, Macro Polymers UAE, Macro Polymers LLC USA and Macro Polymers Vietnam Co. Ltd. as there are financial and business synergies between these companies. Extent of consolidation: Full.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

MPPL was established as a proprietorship concern in 1962 by chairman, Mr. Shirish Parikh and later in the year 1995 the constitution was changed to private limited company. The day to day operations are managed by its managing director, Mr. Mayank Parikh who has an experience of over three decades in the resins industry. The company has developed healthy relations with customers and suppliers over the years which help in getting repeated orders.

Acuité believes that the company will be benefitted over the medium term on the back of established presence in the resins industry for more than four decades.

- **Steady growth in scale of operations**

The revenues of the group are growing steadily marked by operating income of Rs.212.94 crore in FY2019 as against Rs.192.98 crore in FY2018. Further, the group has registered revenues of Rs.147.44 crore for the period April to December, 2019 (Provisional). The operating profitability improved to 8.81 percent in FY2019 as against 6.78 per cent in FY2018. It has further increased to 10.77 per cent for the period April to December, 2019 (Provisional). However, the net profitability deteriorated to 0.44 percent in FY2019 as against 2.00 in FY2018. This is majorly because of increase in depreciation and interest cost. The profitability is expected to grow on account of high value added products in the total revenue mix in FY2020 and optimum utilisation levels from the new capacity over the medium term.

Acuité believes that scale of operations will improve in near to medium term on account of increase in capacity utilisation and production of goods which will contribute more to the profitability.

- **Moderate financial risk profile and working capital cycle**

The financial risk profile of the group is moderate marked by moderate net worth, debt protection measures and gearing. The tangible net worth stood at Rs.38.15 crore as on 31 March, 2019 (PY: Rs.37.15 crore). The gearing improved to 1.69 times as on 31 March, 2019 (PY: 1.92 times). The total debt of Rs.64.52 crore outstanding as on 31 March, 2019 comprises of Rs.38.10 crore secured term loans from the bank, Rs.26.41 crore as working capital borrowings and Rs.0.01 as unsecured loan from the promoter. The interest coverage ratio deteriorated to 2.62 times in FY2019 (PY: 3.06 times). DSCR improved to 1.38 times in FY2019 as against 1.11 times in FY2018. The total outside liabilities to tangible net worth (TOL/TNW) stood moderate at 2.74 times as on 31 March, 2019 (PY: 2.97 times). The net cash accruals stood at Rs.11.97 crore in FY2019 as against Rs.7.81 crore in FY2018. The net cash accruals are expected to increase over the medium term on account of increase in scale of operations coupled with increase in profitability.

Also, the working capital cycle of the group is comfortable marked by low Gross Current Asset (GCA) of 135 days in FY2019 as against 147 days in FY2018. The inventory holding period is moderate at 54 days and the debtor days stood at 80 days in FY2019. The average bank limit utilisation stood at ~60 percent for the last six months ended February, 2020. Acuité believes that the group will be able to maintain sufficient liquidity over the medium term.

Weaknesses

- **Susceptibility of the profitability to volatility in the raw material prices**

The profitability margins of the group remains susceptible to volatility in the raw material prices (raw materials being petroleum based products), the prices of which are highly volatile in nature. Any adverse fluctuation in raw material price may impact the profitability of the company. Further, the company is exposed to foreign exchange fluctuation risk as the company generates ~35 percent of the revenues through exports. However, the risk is partly mitigated to the extent of imports in foreign currency.

- **Highly competitive and fragmented industry**

The resins industry is highly competitive and fragmented marked by presence of many organised and unorganised players in this industry, thus putting pressure on the profitability margins of the company.

Liquidity Position: Adequate

Group has adequate liquidity marked by adequate net cash accruals to meet its maturing debt obligations. It has generated cash accruals of Rs.6.92 to 11.97 crore during the last three years through 2017-19, while its maturing debt obligations were in the range of Rs.6.65 to 8.12 crore over the same period. The cash accruals of the company are estimated to remain around Rs.12.58 – 16.69 crore during 2019-21 while its repayment obligation is estimated to be around Rs. 6.50 crore. The group's working capital operations are comfortable as marked by gross current asset (GCA) days of 135 in FY2019. This has led to lower reliance on working capital borrowings, the cash credit limit remains utilized at ~60 percent during the last six months period ended February, 2020. Acuité believes that the liquidity of the group is likely to remain adequate on account of adequate cash accrual vis-à-vis its repayment obligations over the medium term.

Outlook: Stable

Acuité believes the outlook on the group's credit profile will remain 'Stable' on account of the company's established presence in the resins industry. The outlook may be revised to 'Positive' if the group achieves a sustained growth in revenues, profit margins and improves its capital structure. The outlook may be revised to 'Negative' in case the group registers significant decline in cash accruals or stretched working capital cycle resulting in deterioration of its financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	212.94	192.98
PAT	Rs. Cr.	0.93	3.86
PAT Margin	(%)	0.44	2.00
Total Debt/Tangible Net Worth	Times	1.69	1.92
PBDIT/Interest	Times	2.62	3.06

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Consolidation of companies - <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of instrument / facilities	Term	Amount (Rs.)	Ratings/Outlook
10-April-2019	Cash Credit	Long Term	21.50	ACUITE BBB-/Stable (Assigned)
	Cash Credit	Long Term	16.50	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	3.00	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	26.00	ACUITE BBB-/Stable (Assigned)
	Working Capital Demand Loan	Long Term	3.00	ACUITE BBB-/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	21.50	ACUITE BBB- / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.50	ACUITE BBB- / Stable (Reaffirmed)
Term Loan	03-June-2018	10.30%	03-June-2025	3.00	ACUITE BBB- / Stable (Reaffirmed)
Term Loan	16-July-2016	10.30%	16-July-2023	26.00	ACUITE BBB- / Stable (Reaffirmed)
Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB- / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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