

Press Release

Macro Polymers Private Limited

July 01, 2021

Rating Reaffirmed, Assigned & Withdrawn



Total Bank Facilities Rated*	Rs. 70.00 crore
Long Term Rating	ACUITE BBB- /Stable (Reaffirmed, Assigned & Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs.67.85 crore bank facilities, assigned long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 2.15 crore bank facility and withdrawn the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs. 3.00 crore bank facilities of Macro Polymers Private Limited (MPPL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation reflects moderate financial risk profile marked by moderate net worth, healthy gearing and debt protection metric. Also the rating factors in comfort derived by experienced management spanning over three decades, established track record of operations and healthy liquidity position. On the contrary, the rating is constrained by MPPL's restricted operational performance and intensive nature of working capital operations.

About the company

Macro Polymers Private Limited (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 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

For arriving at the rating, Acuite has taken the consolidated view 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

- Experienced management and established track record of operations**

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.

Acuite 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.

- Moderate Financial Risk Profile**

The financial risk profile of the group is moderate marked by moderate net worth, low gearing levels and healthy debt protection metrics and coverage indicators.

The net worth of the group is moderate at Rs. 41.90 crore as on March 31, 2020. The net worth levels have seen

improvement from FY2019 to FY2020 on account of higher ploughing back of profits in form of retained earnings.

The group has followed a moderately aggressive financial policy in the past and is continuing with the same policy as reflected through its gearing of 1.38 times as on 31st March 2020 as against 1.69 as on 31st March 2019 and total outside liabilities to tangible net worth (TOL/TNW) levels of 2.17 times as on March 31, 2020. Also, Debt-EBITDA improved from 3.41 times in FY2019 to 2.97 times in FY2020

The group has improved debt coverage indicators as evident by improvement in interest coverage ratio of 3.04 times as on 31st March, 2020 as against 2.62 times as on 31st March, 2019. However, Debt service coverage ratio stood deteriorated from 1.38 times in FY2019 to 1.22 times in FY2020

Acuité believes that the financial risk profile of the group will continue to remain healthy on account of healthy net worth and debt protection metrics.

Weaknesses

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

The profitability margins of the group remain 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 30 percent of the revenues through exports. However, the risk is partly mitigated to the extent of imports in foreign currency.

- **Slightly Deteriorated Working capital management**

Working capital requirements slightly deteriorated as evident from gross current assets (GCA) of 143 days for FY2020 from 138 days for FY2019. The deterioration is majorly on account of change in inventory days of 63 days as on 31 March 2020 as against 54 days in the previous year. However, debtors' days stood stable at 77 days as on 31 March 2020 as against 78 days in previous year. Current Ratio stood at 1.09 times as on 31 March 2020 as against 1.07 in the previous year.

- **Highly competitive and fragmented industry**

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

Rating Sensitivity

- Deterioration in profitability margins.
- Significant decline in scale of operations
- Substantial deterioration in working capital operations

Material Covenants

None

Liquidity position: Healthy

The group has healthy liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 11.35 crore for FY2020 as against Rs. 5.40 crore of repayment obligations for the same period. The group has unencumbered cash and bank balances of only Rs. 0.76 crore as on 31st March 2020. Further, the fund-based working capital limits are utilized at an average of ~60 per cent in the last eight months. Therefore, there are enough net cash accruals & limits available to utilize more funds if required to support incremental requirements.

Outlook: Stable

Acuité believes the outlook on the group's rated facilities 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	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	190.15	212.33
PAT	Rs. Cr.	4.27	0.93
PAT Margin	(%)	2.24	0.44

Total Debt/Tangible Net Worth	Times	1.38	1.69
PBDIT/Interest	Times	3.04	2.62

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-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.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/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
1-Apr-20	Cash Credit	Long term	21.50	ACUITE BBB-/Stable (Reaffirmed)
	Cash Credit	Long term	16.50	ACUITE BBB-/Stable (Reaffirmed)
	Working Capital Demand Loan	Long term	3.00	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan	Long term	3.00	ACUITE BBB-/Stable (Reaffirmed)
	Term Loan II	Long term	26.00	ACUITE BBB-/Stable (Reaffirmed)
10-Apr-19	Cash Credit	Long term	21.50	ACUITE BBB-/Stable (Assigned)
	Cash Credit	Long term	16.50	ACUITE BBB-/Stable (Assigned)
	Working Capital Demand Loan	Long term	3.00	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long term	3.00	ACUITE BBB-/Stable (Assigned)
	Term Loan II	Long term	26.00	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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Available	Not Applicable	21.50	ACUITE BBB-/Stable (Reaffirmed)
Term Loan	Not Available	9.90%	Not Available	1.85	ACUITE BBB-/Stable (Reaffirmed)
Working Capital Demand Loan	Not Applicable	Not Available	Not Available	(3.00)	ACUITE BBB- (Withdrawn)
Working Capital Term Loan	Not Applicable	Not Available	Not Available	2.15	ACUITE BBB-/Stable (Assigned)

Cash Credit	Not Applicable	Not Available	Not Available	22.00	ACUITE BBB-/Stable (Reaffirmed)
Term Loan II	Not Available	10.50%	Not Available	22.50	ACUITE BBB-/Stable (Reaffirmed)

Analytical	Rating Desk
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About Acuité Ratings & Research:

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