

Press Release

Macro Polymers Private Limited

September 28, 2022

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	70.00	ACUITE BBB Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	70.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to **'ACUITE BBB' (read as ACUITE Triple B)** from **'ACUITE BBB-' (read as ACUITE Triple B minus)** on the Rs.70.00 Cr bank facilities, of Macro Polymers Private Limited (MPPL). The outlook is **'Stable'**.

The rating upgrade reflects sustainable yet consistent improvement of the revenue growth over the years. MPPL reported revenue of Rs.237.65 Cr for FY2022 (Prov.); a growth of about 31.76 percent over FY2021 revenues of Rs.180.36 Cr. Simultaneously, MPPL's operating margin improved to ~11.93 percent in FY2022(Prov.) from 9.88 percent in FY2021. The financial risk profile improved in terms of improved interest coverage ratio (ICR) and debt service coverage ratio (DSCR) along with liquidity position in terms of higher net cash accruals vis-a-vis its debt obligations.

The rating continues to factor in comfort derived by the experienced management and established track record of operations, moderate financial risk profile marked by moderate net worth, healthy gearing and debt protection metric and adequate liquidity position. On the contrary, the rating is constrained by susceptibility of the profitability to volatility in the raw material prices and highly competitive and fragmented industry.

About 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. The manufacturing unit is located in Ahmedabad

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at the rating, Acuité has taken the consolidated view of Macro Polymers Private Limited and its two subsidiaries, namely, Macro Polymers LLC USA and Macro Polymers Vietnam Co. Ltd. as there are financial and business synergies between these companies.

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. 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.

- **Moderate Financial Risk Profile**

The company's financial risk profile is marked by a moderate net worth, gearing and moderate debt protection metrics. The net worth of the company stood at Rs.67.26 Cr and Rs.52.24 Cr as on March 31, 2022(Prov.) and 2021 respectively. The gearing of the company stood at 0.76 times as on March 31, 2022(Prov.) against 0.71 times as on March 31, 2021. The deterioration in the gearing is because increase in debt portion. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 8.22 times and 2.05 times as on March 31, 2022(Prov.) respectively as against 3.99 times and 1.68 times as on March 31, 2021 respectively. The improvement in Interest coverage ratio (ICR) and debt service coverage ratio (DSCR) is because of reduction in interest cost and increase in net cash accruals. TOL/TNW (Total outside liabilities/Total net worth) stood at 1.57 times and 1.52 times as on March 31, 2022(Prov.) and 2021 respectively. The debt to EBITDA of the company stood at 1.75 times as on 31 March, 2022(Prov.) as against 2.01 times as on 31st March, 2021. Acuité believes that the financial risk profile of the company 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 17 to 20 percent of the revenues through exports. However, the risk is partly mitigated to the extent of imports in foreign currency.

- **Working capital intensive operations**

The working capital management of the company remained moderate gross current asset(GCA) days at 179 days as on March 31, 2022(Prov.) as against 153 days as on March 31, 2021. The gross current asset (GCA) days are majorly marked by high debtor days and moderate inventory days. Inventory days stood at 64 days as on March 31, 2022(Prov.) as against 52 days as on March 31, 2021. Subsequently, the payable period stood at 100 days as on March 31, 2022(Prov.) as against 114 days as on March 31, 2021 respectively. The debtor day stood at 95 days as on March 31, 2022(Prov.) as against 103 days as on March 31, 2021. Further, the average bank limit utilization in the last eight

months ended July, 2022 remained at 49 percent for fund based limits. Acuité believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

- **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 Sensitivities

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

Material Covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by adequate generation of net cash accruals in FY 2022(Prov.) to its maturing debt obligations. The company has generated cash accruals of Rs.20.25 Cr in FY2022 as against its long term debt obligations of Rs.9.32 Cr for the same period. The company is expected to generate net cash accruals of Rs. 20.58 to 22.85 Cr for next two years as against its long term debt obligations of Rs. 3.21 to 5.12 Cr. The current ratio stood at 1.27 times as on March 31, 2022(Prov.) and the fund based limit remains utilised at 49 percent over the eight months ended July 31, 2022. The company maintains unencumbered cash and bank balances of Rs.12.61 crore as on March 31, 2022(Prov.). Acuité believes that the liquidity of the group is likely to improve over the medium term on account on account of working capital intensive nature of operations.

Outlook: Stable

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

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	237.65	180.36
PAT	Rs. Cr.	15.01	5.01
PAT Margin	(%)	6.32	2.78
Total Debt/Tangible Net Worth	Times	0.79	0.74
PBDIT/Interest	Times	8.22	3.99

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

None

Any Other Information

None

Applicable Criteria

- Application Of 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Jul 2021	Cash Credit	Long Term	21.50	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	22.00	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	2.15	ACUITE BBB- Stable (Assigned)
	Working Capital Demand Loan	Long Term	3.00	ACUITE BBB- (Withdrawn)
	Term Loan	Long Term	1.85	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	22.50	ACUITE BBB- Stable (Reaffirmed)
01 Apr 2020	Cash Credit	Long Term	21.50	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	3.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	26.00	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	3.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	16.50	ACUITE BBB- Stable (Reaffirmed)
10 Apr 2019	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)
	Cash Credit	Long Term	21.50	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	21.50	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
CITI Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
State Bank of India	Not Applicable	Term Loan	Not available	9.90	Not available	1.85	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	10.50	Not available	22.50	ACUITE BBB Stable Upgraded (from ACUITE BBB-)
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	2.15	ACUITE BBB Stable Upgraded (from ACUITE BBB-)

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About Acuité Ratings & Research

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