Press Release

MACRO POLYMERS PRIVATE LIMITED

December 27, 2023

Rating Reaffirmed

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

Rating Rationale

Acuité has reaffirmed the long-term rating of **'ACUITE BBB' (read as ACUITE Triple B)** on the Rs.70.00 Cr bank facilities of Macro Polymers Private Limited (MPPL). The outlook is **'Stable'**.

Rationale for rating reaffirmation

The rating reaffirmation of Macro Polymers Group (MPG) takes into account increase in the group's revenue for FY2023 of Rs.278 Cr for FY2023 achieved based on stable demand and improved prices during the year. The rating also draws comfort from the experienced management of the group with an established track record of operations and moderate financial risk profile marked by moderate net-worth, low gearing and moderate debt protection metrics.

The rating is however constrained by the profitability margins of the group which stood declined to 7.10 percent at operating level in FY2023 from 11.73 percent in previous year. Correspondingly, the net profitability stood declined at 3.39 percent in FY2023 from 6.20 percent in FY2022. The margins are impacted primarily on account of increase in the cost of raw materials which are petroleum-based products, the prices of which are highly volatile in nature. In addition to this, there has been an increase in the overall operating costs which has impacted the profitability of the group during the year.

Going forward, ability of MPG to achieve a sustainable growth in the revenue while improving the profitability margins and to maintain an efficient working capital cycle will remain key rating sensitivity factors.

About the Company

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. The company is engaged in manufacturing of synthetic resins such as Alkyd Resins, Butylated Melamine Acrylic Resins, Epoxy Resin, and Epoxy Hardner & Ketone Resin which are applicable 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 of the company is located at Ahmedabad.

About the Group

MPPL along with the below mentioned subsidiaries together referred to as Macro Polymers Group (MPG) is engaged in the business of manufacturing of synthetic resins for surface coating applications such as paints, printing inks, wood coating lacquers and adhesives.

1. Macro Polymers FZE, Dubai
2. Macro Polymers Vietnam Company Limited, Vietnam.

3. Macro Polymers Holding LLC, USA.
4. Macro Polymers NA LLC, USA (Step-down subsidiary of Macro Polymers Holding LLC)

Unsupported Rating
Not Applicable

Analytical Approach
Earlier, Acuité had consolidated Macro Polymers Private Limited (MPPL) and its two subsidiaries, namely, Macro Polymers LLC USA and Macro Polymers Vietnam Co. Ltd. However, during the current review, the rated entity has provided consolidated financials of Macro Polymers Private Limited and has considered following entities in the consolidation:

1. Macro Polymers FZE, Dubai
2. Macro Polymers Vietnam Company Limited, Vietnam.
3. Macro Polymers Holding LLC, USA.
4. Macro Polymers NA LLC, USA (Step-down subsidiary of Macro Polymers Holding LLC)

Accordingly, for the current review, Acuité has considered all the above entities as a part of the consolidation, together referred to as Macro Polymers Group (MPG) to arrive at the rating.

Extent of consolidation: Full

Key Rating Drivers

Strengths
Experienced management and established track record of operations
MPPL has an operational track record of over six decades in the synthetic resins industry. The company was established as a proprietorship concern in 1962 by Mr. Shirish Parikh (Chairman) and later in 1995, the constitution was changed to private limited company. At present, the company is promoted by his son, Mr. Mayank Parikh (Managing Director), who possess an extensive experience of over three decades in the synthetic resins industry. He is further supported by its well-qualified and experienced team of professionals in managing day-to-day operations of MPPL. The extensive experience of the management has enabled MPPL to establish a healthy relationship with its customers and suppliers.

Acuité believes that MPPL will continue to benefit from its experienced management and established track record of operations.

Moderate financial risk profile
Financial risk profile of MPG is moderate marked by moderate net worth, low gearing and moderate debt protection metrics. The tangible net-worth of the group stood improved at Rs.75 Cr as on 31 March, 2023 as against Rs.65 Cr as on 31 March, 2022 due to accretion of profits to reserves. The gearing (debt-equity) stood improved at 0.44 times as on 31 March, 2023 as against 0.79 times as on 31 March, 2022 due to decrease in the group's overall debt of Rs.33 Cr in FY2023 as against Rs.51 Cr in FY2022. The total debt of Rs.33 Cr as on March 31, 2023 comprises of long-term bank borrowings of Rs.12 Cr and unsecured loans from directors of Rs.21 Cr. The gearing is expected to improve further and remain low over the medium term in the absence of any significant debt-funded capex plan.

The interest coverage ratio and DSCR though moderated, it remained comfortable at 6.36 times and 1.33 times for FY2023 as against 8.22 times and 2.19 times for FY2022. The Net Cash Accruals to Total debt stood at 0.41 times for FY2023 as against 0.40 times for FY2022. The Total outside liabilities to Tangible net worth stood improved at 1.05 times for FY2023 as against 1.56 times for FY2022. The Debt-EBITDA ratio stood improved at 1.59 times for FY2023 as against 1.75 times for FY2022.

Acuité believes that the financial risk profile of MPG will improve and remain healthy over the medium term due to its low gearing, moderate tangible net worth and comfortable debt protection metrics.

Increase in revenue albeit moderation in profitability margins
MPG reported an increase in its revenue of Rs.278 Cr for FY2023 as against Rs.243 Cr for FY2022 which is a growth of ~15 percent achieved based on stable demand of wide range of synthetic resins which are manufactured by the group and sold across domestic and overseas markets to paint, ink and adhesive industry. The sales volume along with improved prices during the year has led to an increase in the overall revenue of the group. However, the profitability margins of the group stood declined during the year on account of subsequent increase in the cost of raw materials which are petroleum-based products, the prices of which are highly volatile in nature. In addition to this, there has been an increase in the overall operating costs which has impacted the profitability of the group during the year. The operating and net profit margin of the group stood declined at 7.10 percent and 3.39 percent for FY2023 as against 11.73 percent and 6.20 percent for FY2022. For the current year, as of September 2023, MPPL on a standalone basis has achieved revenue of Rs.151 Cr as against Rs.140 Cr for the same period during last year.

Acuité believes that the ability of MPG to achieve a sustainable growth in the revenue while improving the profitability margins will remain a key rating sensitivity factor.

Weaknesses

Moderately working capital intensive operations
The working capital operations of MPG are moderately intensive marked by its Gross Current Assets (GCA) of 128 days for FY2023 which stood improved as against 168 days for FY2022. This is on account of its improved inventory and receivables cycle which stood at 42 days and 78 days for FY2023 as against 64 days and 89 days for FY2022. On the other hand, the creditors cycle of the group also stood improved at 72 days for FY2023 as against 90 days for FY2022. The average bank limit utilization for 6 months' period ended September 2023 stood at ~57 percent.

Acuité believes that the ability of MPG to maintain an efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

Susceptibility of profitability margins to volatility in raw material prices
The profitability margins of the group remain susceptible to volatility in the raw material prices, which are 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 group. Further, the group is exposed to foreign exchange fluctuation risk as it generates ~15 to ~20 percent of the revenues through exports. However, the risk is partly mitigated to the extent of imports in foreign currency.

Presence in a 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 group.

Rating Sensitivities

- Ability to achieve a sustainable growth in the revenue while improving the profitability margins
- Ability to maintain an efficient working capital cycle

All Covenants
Not applicable

Liquidity Position - Adequate
MPG has adequate liquidity position marked by sufficient net cash accruals (NCA) to its

maturing debt obligations. The group generated cash accruals in the range of Rs.13 Cr to Rs.21 Cr during FY2021 to FY2023 against its debt repayment obligation in the range of Rs.5 Cr to Rs.9 Cr during the same period. Going forward, the NCA are expected in the range of Rs.18 Cr to Rs.22 Cr for the period FY2024-FY2025 against its debt repayment obligation of ~Rs.4 Cr during the same period. The working capital operations of the group are moderately intensive marked by its gross current asset (GCA) days of 128 days for FY2023. The average bank limit utilization for 6 months' period ended September 2023 stood at ~57 percent. Current ratio stands at 1.36 times as on 31 March 2023. The group has maintained cash & bank balance of Rs.6 Cr in FY2023.

Acuité believes that the liquidity of MPG is likely to remain adequate over the medium term on account of sufficient cash accruals against its maturing debt obligations.

Outlook: Stable

Acuité believes that MPG will maintain 'Stable' outlook over the medium term on account of its experienced management with an established track record of operations. The outlook may be revised to 'Positive' in case of higher-than-expected growth in revenue and profitability while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue or deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

Other Factors affecting Rating

Not applicable

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	278.47	242.72
PAT	Rs. Cr.	9.43	15.04
PAT Margin	(%)	3.39	6.20
Total Debt/Tangible Net Worth	Times	0.44	0.79
PBDIT/Interest	Times	6.36	8.22

Status of non-cooperation with previous CRA (if applicable)
Not applicable

Any other information
None

Applicable Criteria
- Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
- Entities In Manufacturing Sector:- https://www.acuite.in/view-rating-criteria-59.htm
- 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

Note on complexity levels of the rated instrument
In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Sep 2022	Working Capital Term Loan	Long Term	2.15	ACUITE BBB | Stable (Upgraded from ACUITE BBB- | Stable)
	Term Loan	Long Term	22.50	ACUITE BBB | Stable (Upgraded from ACUITE BBB- | Stable)
	Term Loan	Long Term	1.85	ACUITE BBB | Stable (Upgraded from ACUITE BBB- | Stable)
	Cash Credit	Long Term	21.50	ACUITE BBB | Stable (Upgraded from ACUITE BBB- | Stable)
	Cash Credit	Long Term	22.00	ACUITE BBB | Stable (Upgraded from ACUITE BBB- | Stable)
01 Jul 2021	Term Loan	Long Term	22.50	ACUITE BBB- | Stable (Reaffirmed)
	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)
01 Apr 2020	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)
	Cash Credit	Long Term	21.50	ACUITE BBB- | Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
CITI Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	22.00	ACUITE BBB | Stable | Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB | Stable | Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	20.34	ACUITE BBB | Stable | Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	10.50	Not available	Simple	7.66	ACUITE BBB | Stable | Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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