



## Press Release

### Melzer Chemicals Pvt Ltd

November 12, 2020

#### Ratings

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1.	Long Term Bank Facility – Fund Based – Term Loan	4.86 (reduced from 8.42 crore)	IVR BBB-/Positive Outlook (IVR Triple B Minus with Positive Outlook)	<b>Re-affirmed with Outlook revised to Positive</b>
2.	Long Term Facility –Fund Based – Cash Credit	13.75	IVR BBB-/Positive Outlook (IVR Triple B Minus with Positive Outlook)	<b>Re-affirmed with Outlook revised to Positive</b>
3.	Short Term Facility – Non Fund Based – Bank Guarantee	5.06	IVR A3 (IVR A Three)	<b>Re-affirmed</b>
	<b>Total</b>	<b>23.67</b>		

***Details of Facilities are in Annexure 1***

#### ***Detailed Rationale***

Melzer Chemicals rating outlook has been revised to positive from stable on account of the company's established presence in the chemical manufacturing and trading industry along with a diversified customer and supplier base, improvement in operations and continuous research and development which will aid the company's revenues.

The aforesaid rating affirmation to the bank facilities of the entity derives comfort from the company's improved financial risk profile, capital structure and coverage indicators, experienced promoters and management along with diverse sources of revenue. However, working capital intensive nature of operations, although improving; fragmented industry and exposure to stringent regulatory norms are the rating constraints.



## Press Release

### **Key Rating Sensitivities**

#### **Upward factors:**

- Sustained improvement in scale of operations and cash accruals.

#### **Downward factors:**

- Decline in profitability and deterioration in liquidity.

### **Key Rating Drivers with detailed description**

#### **Improved financial risk profile, capital structure and coverage indicators**

The company has maintained their profitability margins at healthy levels over the past three fiscals with their top line growing from INR68.06 crore in FY18 to INR94.22 crore in FY20. Their EBITDA in absolute terms has increased from INR5.16 crore in FY18 to INR11.92 crore in FY20. The company's long term borrowing have declined indicated by a healthy gearing ratio of 0.66x in FY20. The company also has adequate liquidity and healthy cash accruals which has increased from INR3.40 crore in FY19 to INR8.51 crore in FY20 owing to improving profits which has also led to an improvement in the interest coverage ratio from 2.81x in FY19 to 4.71x in FY20.

#### **Experienced Promoters and Management**

Melzer Chemical Private Limited is a company incorporated on 19<sup>th</sup> September, 1994. The company is promoted by Mr. Sunil Balkrishna Shinde and Mr. Chandrasen Ghatge, they possess a wealth of experience in the field of chemical production and are looking after the day to day operations of the company.

#### **Diverse sources of revenue**

MCPL has a diversified product portfolio catering to a variety of industries -sugar production, paper production, paints and coatings, adhesives, metal works dairy & poultry and oil and gas industry. This enables the company to reap the benefits of a diverse portfolio and considerably insulates itself from any sector specific volatility.



## Press Release

### **Key Rating Weaknesses**

#### **Working capital intensive nature of operations, although improving**

The average collection period although elongated has improved from 92 days in FY19 to 84 days in FY20, with the inventory turnover days also improving marginally from 60 days in FY19 to 53 days in FY20. This implies working capital intensive operations where much of the company cash is locked up in inventory and with the customers. On an average, the company takes around 57 days to pay its suppliers. The operating cycle improved from 96 days in FY19 to 81 days in FY20, the operating cycle still remains elongated despite the improvement.

#### **Fragmented Industry**

MCPL operates in a very fragmented industry wherein there are a variety of small and medium-sized companies that specialise in biocide manufacturing and speciality chemicals. With 100% FDI, there are a variety of foreign investors who have been keenly looking into the industry; chemical giants such as BASF – SE, Mitsubishi chemical, DuPont and others have been very interested in investing in the Indian market given the low production costs.

#### **Exposure to stringent regulatory norms**

MCPL operates in an industry that poses high risks to environment and health. Consequently, the industry is regulated by stringent norms by regulatory bodies. The company continues to comply with such norms; however, any changes in the policies may have undesirable effects. The company has been complying to the pollution control norms laid down, we have ascertained the same with the company's latest pollution control certificate issued by the Maharashtra Pollution Control Board.

#### **Analytical Approach: Standalone**

#### **Applicable Criteria**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)



## Press Release

### Liquidity - Adequate

The liquidity is adequate, signified by an above unity current ratio of 1.41x in FY20. On the back of increasing profitability over the past three fiscals the GCA has increased to INR8.51 crore along with a cash and bank balance of INR4.97 crore which is adequate to cover their short term obligations in the form of interest payments and CPLTD amounting to INR4.34 crore leaving the company with adequate funds in-case of any contingent event.

### About the company

Melzer Chemicals Pvt Ltd (MCPL) was established in the year 1999; they specialise in Biocide chemicals meant for industrial and household usage. The company is promoted by Mr. Sunil Balkrishna Shinde and Mr. Chandrasen Ghatge, they possess over 30 years of experience in the chemical industry. They have their base of operations in Pune and also have facilities in other parts of the country. They have their customers in both domestic and international markets including countries in the Middle East, Europe, South East Asia, Africa and Americas. MCPL manufacture a range of biocides and preservatives meant for application in industrial and household products. Apart from these, Melzer also has a few specialized products for usage in Oil and Gas sector and pharmacy companies.

### Financials (Standalone)\*:

(INR crore)

For the year ended/ As On	31-03-2018	31-03-2019	31-03-20
	(Audited)	(Audited)	(Audited)
Total Operating Income	68.06	81.94	94.22
EBITDA	5.16	5.98	11.92
PAT	2.15	2.44	5.44
Total Debt	19.72	22.98	16.90
Tangible Net-worth	17.80	20.24	25.60
<b>Ratios</b>			
EBITDA Margin (%)	7.58	7.30	12.66
PAT Margin (%)	3.09	2.93	5.66
Overall Gearing Ratio (x)	1.08	1.11	0.66

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** India Ratings and Research in their press Release dated on March 05, 2020 has classified the case under Issuer Not Cooperating status on account of non-submission of relevant information



## Press Release

**Any other information: None**

**Rating History for last three years:**

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (PR dated September 13, 2019)	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Bank Facility – Fund Based – Term Loan	Long Term	4.86 (reduced from 8.42 crore)	IVR BBB- / Positive Outlook	IVR BBB-/ Stable Outlook	--	--
2.	Long Term Facility – Fund Based – Cash Credit	Long Term	13.75	IVR BBB- / Positive Outlook	IVR BBB-/ Stable Outlook	--	--
3.	Short Term Facility – Non Fund Based – Bank Guarantee	Short Term	5.06	IVR A3	IVR A3	--	--

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

**Name and Contact Details of the Rating Team:**

Name: Rajath Rajpal

Tel: (022) 62396023

Email: [rjajpal@infomerics.com](mailto:rjajpal@infomerics.com)

Name: Prakash Kabra

Tel: (022) 62396023

Email: [prakash.kabra@infomerics.com](mailto:prakash.kabra@infomerics.com)

**About Infomerics:**

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



## Press Release

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Fund Based – Term Loan	NA	NA	Up to 2024	4.86 (reduced from 8.42 crore)	IVR BBB-/ Positive Outlook
Long Term Facility – Fund Based – Cash Credit	NA	NA	Revolving	13.75	IVR BBB-/ Positive Outlook
Short Term Facility – Non Fund Based – Bank Guarantee	NA	NA	Less than 1 year	5.06	IVR A3