



Press Release

Melzer Chemicals Private Limited

January 28, 2022

Ratings

Facility	Amount (INR crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility – Fund Based – Term Loan	14.97 (Enhanced from 4.86)	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	Revised from IVR BBB- /Positive Outlook (IVR Triple B Minus with Positive Outlook)	Simple
Long Term Facility – Fund Based – Cash Credit	18.00 (Enhanced from 13.75)	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	Revised from IVR BBB- /Positive Outlook (IVR Triple B Minus with Positive Outlook)	Simple
Short Term Facility – Non Fund Based – Letter of Credit / Bank Guarantee	9.00 (Enhanced from 5.06)	IVR A3+ (IVR A Three Plus)	Revised from IVR A3 (IVR A Three)	Simple
Total	41.97 (Rupees Forty- one crore and Ninety-seven lakh)			

Details of Facilities are in Annexure 1

Detailed Rationale

The upgrade in the ratings is driven by 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, fragmented industry and exposure to stringent regulatory norms are the rating constraints.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in scale of operations and cash accruals along with operating cycle and debt protection metrics

Downward Factors

- Stretched liquidity and working capital management
- Stretched debt protection metrics



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Improved financial risk profile, capital structure and coverage indicators

The company has seen their top line grow from INR69.13 crore in FY18 to INR126.94 crore in FY21 with a CAGR of ~22% led by expansion of product portfolio for catering diverse industry needs and increase in average selling price. Consequently, EBITDA in absolute terms grew from INR5.16 crore in FY18 to INR17.16 crore in FY21 and PAT soared to INR8.88 crore in FY21 to INR2.15 crore in FY18. EBITDA margin stood at 13.72% and PAT margin stood at 6.99% in FY21. The company's financial risk profile remained comfortable with an overall gearing ratio of 0.75x in FY21 as against 0.66x in FY20 and interest coverage ratio which remained strong at 8.28x in FY21 against 4.71x in FY20.

Experienced Board of Directors

Melzer Chemical Private Limited was incorporated on 19th 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 revenues

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.

Key Rating Weaknesses

Working capital intensive nature of operations, although improving

The average collection period stood at 70 days in FY21 and 84 days in FY20, while inventory turnover days stood at 57 days in FY21 against 53 days in FY20 implying working capital intensive operations wherein company's operating cashflow is locked up in inventory and with the customers. On an average, the company takes around 55 days to pay its suppliers. The operating cycle improved from 96 days in FY19 and 81 days in FY20 to 72 days in FY21, 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.



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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 adversely constrain the business.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

Liquidity – Adequate

The liquidity is adequate, signified by current ratio of above 1.41x in FY20 and FY21. On the back of increasing profitability over the past 3 fiscals the GCA has increased to INR11.78 crore in FY21 from INR8.51 crore in FY20 and INR3.40 crore in FY19. Cash and bank balance stood at INR7.15 crore as on March 31, 2021 which is adequate to cover their short term obligations in the form of interest payments and CPLTD amounting to INR4.05 crore leaving the company with adequate funds in-case of any contingent event. Average utilization of working capital bank facility being packing credit stood at 83% as of FY21.

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 and managed 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)*:

For the year ended/ As On	(INR crore)		
	31-03-2019	31-03-20	31-03-21
	(Audited)	(Audited)	(Audited)
Total Operating Income	81.94	94.22	125.05
EBITDA	5.98	11.92	17.16
PAT	2.44	5.44	8.88
Total Debt	22.98	16.90	25.91
Tangible Net-worth	20.24	25.60	34.48



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<u>Ratios</u>			
EBITDA Margin (%)	7.30	12.66	13.72
PAT Margin (%)	2.93	5.66	6.99
Overall Gearing Ratio (x)	1.11	0.66	0.75

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: India Ratings and Research in their press Release dated on July 09, 2021 has classified the case under Issuer Not Cooperating status on account of non-submission of relevant information.

Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Bank Facility – Fund Based – Term Loan	Long Term	14.97	IVR BBB/Stable Outlook	IVR BBB-/Positive Outlook (PR dated November 12, 2020) IVR BBB-/Positive Outlook (PR dated November 24, 2020)	IVR BBB-/Stable Outlook (PR dated September 13, 2019)	--
2.	(Proposed) Long Term Bank Facility – Fund Based – Term Loan	Long Term	--	--	IVR BBB-/Positive Outlook (PR dated November 24, 2020)	--	--
3.	Long Term Bank Facility – Fund Based – Cash	Long Term	18.00	IVR BBB/Stable Outlook	IVR BBB-/Positive Outlook	IVR BBB-/Stable Outlook	--



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
	Credit				(PR dated November 12, 2020) IVR BBB-/ Positive Outlook (PR dated November 24, 2020)	(PR dated September 13, 2019)	
4.	(Proposed) Long Term Facility – Fund Based – Cash Credit	Long Term	--	--	IVR BBB-/ Positive Outlook (PR dated November 24, 2020)	--	--
5.	Short Term Facility – Non Fund Based – Bank Guarantee	Short Term	9.00	IVR A3+	IVR A3 (PR dated November 12, 2020) IVR A3 (PR dated November 24, 2020)	IVR A3 (PR dated September 13, 2019)	--
6.	(Proposed) Short Term Facility – Non Fund Based – Letter of Credit	Short Term	--	--	IVR A3 (PR dated November 24, 2020)	--	--

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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Fund Based – Term Loan	-	-	April 2029	14.97 (enhanced from 4.86)	IVR BBB/ Stable Outlook
Long Term Facility –Fund Based – Cash Credit	-	-	Revolvin g	18.00 (enhanced from 13.75)	IVR BBB/ Stable Outlook
Short Term Facility – Non Fund Based – Letter of Credit / Bank Guarantee	-	-	Less than 1 year	9.00 (enhanced from 5.06)	IVR A3+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Melzer-Chemicals-lenders-jan22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.