Miraj Drymix Private Limited

March 04, 2025

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	42.00	CARE A-; Stable	Assigned
Long-term / short-term bank facilities	3.00	CARE A-; Stable / CARE A2+	Assigned
Short-term bank facilities	0.50	CARE A2+	Assigned

Details of facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings has taken a combined analytical view of Drychem Group (DCG) comprising parent company Drychem India Private Limited (DIPL) and its two major subsidiaries, Miraj Drymix Private Limited (MDPL) and Walplast Products Private Limited (WPPL), as these entities are controlled by common promoters, in the same line of business having operational, managerial and financial linkages.

The rating assigned to bank facilities of DCG derives its strength from established track record with geographically diversified operations, long-standing relationship with reputed clientele and extensive experience of the promoters. The rating further derives strength from its sizable operation in wall putty industry, comfortable capital structure and strong debt coverage indicators.

The rating is tempered by customer concentration risk, moderate profitability margins, presence in competitive wall putty industry and profitability susceptible to fluctuations in raw material prices.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Volume backed growth in future leading to increase in scale of operations with total operating income (TOI) (excluding related party) and profit before interest, lease rentals, depreciation and taxes (PBILDT) margin above 6% on sustained basis.
- Increase in scale and profitability supported by improvement in customer concentration risk with top five customers accounting for less than 50% of total sales.

Negative factors

- Major debt funded capital expenditure leading to weakening capital structure with total debt to PBILDT above 1.5x on a sustained basis.
- Decline in revenue (excluding related party) below ₹1100 crore or deterioration in PBILDT margins below 3.50% on a sustained basis.

Analytical approach: Combined

CARE Ratings Limited (CARE Ratings) has analysed the consolidated financials of DIPL and its subsidiaries (listed in **Annexure 6**). In FY24, Walplast Products Private Limited (WPPL) and Miraj Drymix Private Limited (MDPL) became subsidiary of DIPL. Prior to that, these were held by promoters and are in the same line of business having operational, managerial and financial linkages. Hence, CARE Ratings has considered combined financials of WPPL, MDPL and DIPL from FY20 to FY23, and for FY24 consolidated financials are considered.

Outlook: Stable

The 'Stable' outlook reflects CARE Ratings Limited's (CARE Ratings') expectations that DCG will continue to benefit from its experienced management team and long-standing relationship with reputed clients enabling the company to sustain its financial risk profile in the medium term.

Detailed description of key rating drivers:

Key strengths

Established track record with geographically diversified operations and reputed clientele

Drychem group comprises DIPL and its subsidiaries, of which MDPL and WPPL were earlier its group companies. The group has a long track record of over 20 years with gradual expansion of its manufacturing capacity. The group operates 23 manufacturing facilities across India, producing 2.88 million MT annually. These facilities are in Gujarat, Maharashtra, Rajasthan, Tamil Nadu, Madhya Pradesh and Chhattisgarh and are strategically near the distribution centres of key customers. Diversified manufacturing facilities supports the group's ability to cater to customers at an optimum timeframe and cost.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

The Drychem Group has developed long-standing relationships with several reputed clients, with Asian Paints Limited being a key customer for over 19 years with whom it operates on the cost-plus model. Other notable clients with medium-to-long standing association includes Pidilite Industries Limited, Saint-Gobain India Private Limited, and Kajaria Ceramics Limited.

Sizable operations in wall putty business
The group has demonstrated steady revenue growth with a compound annual growth rate (CAGR) of 9.30% from FY20 to FY24. However, scale of operations continue to remain at sizable in FY24 marked by TOI of ₹1154.62 crore, which declined from ₹1306 crore for FY23 mainly due to decline in input prices and sales realisation. Volume grew from 12,01,348 MT in FY23 to 12,76,338 MT in FY24. The key product is Wall putty, which it supplies to major paint players. The company has already started focusing on growth of its B2C segment under the brand name of 'Homesure', which has better profitability compared to the B2B segment. For the next 2-3 years, the company has planned to increase its B2C share to 20-25% of total TOI from existing ~10%. The B2C segment is largely driven by products such as Gypsum Board, Gypsum Plaster, and Tile Adhesive. Going forth, as envisaged by the management, growth in the B2C segment will be a critical factor from a credit perspective.

Comfortable capital structure and strong debt coverage indicators
DCG has sizable tangible net worth (TNW), which stands at ₹342.99 crore as on March 31, 2024, with comfortable capital structure marked by overall gearing of 0.21x. Total debt stood low as on March 31, 2024, and is ~₹70.31 crore, which includes working capital borrowings of ₹42.65 crore and term loans of ₹18.11 crore. Debt coverage indicators also stood strong with interest coverage ratio of 7.63x and total debt to gross cash accruals (TD/GCA) ratio of 1.51x in FY24. Going forward, it is expected to remain comfortable with no major debt funded capex planned in the near term.

Extensive experience of promoters
The group was founded by Ashok Mehta, who brings over four decades of experience in the trading business, having identified an opportunity in manufacturing wall putty in the early 2000s. In 2004, he established Walplast Products Private Limited (WPPL), and his son, Kaushal Mehta, who also has significant experience in the industry. In recent years, the company has undertaken several initiatives to strengthen its corporate structure. These include the formal consolidation of its subsidiaries, implementation of an integrated enterprise resource planning (ERP) system - SAP, and appointment at senior level management to enhance governance and operational efficiency. Going forth, the group is expected to get benefit from the current extensive experience of the management and its team and operational measures undertaken.

Key weaknesses

Customer concentration risk and limited bargaining power
For the last three years, ~75-80% of the group's total sales have been derived from single customer, Asian Paints Limited (APL), indicating a significant concentration of revenue and resulting in limited bargaining power of the group. Other notable clients include Pidilite Industries Limited, Saint-Gobain India Private Limited, and Kajaria Ceramics Limited. While the Group's sales have been highly concentrated with APL in recent years, enduring partnership provides stability, particularly in the wall putty segment. In the future, the group's plans to diversify its client base and increase share of its own branded products which remain a key monitorable.

Moderate profitability margins
PBILDT has shown fluctuating trend in the past despite volume growth after reporting peak of ₹63.88 crore in FY20, it dipped to ₹52.17 crore in FY23 and improved to ₹57.41 crore in FY24. It reported PBILDT margin of 4.97% in FY24 against 3.99% for FY23 compared to 5.67% in FY22 amidst input price volatility and base impact. Though the major cost (raw material) is reimbursed, other increasing operating expenses puts pressure on absolute profits. PBILDT per tonne has remained in range of ₹8,500 to ₹10,500 in last three years.
Return on capital employed (ROCE) remained moderate ~13%, while return on net worth (RONW) is modest ~9.58% in FY24. Considering the competitive nature of wall putty industry and limited bargaining power of the company, PBIDLT per tonne is expected to remain range bound in the near term.

Competitive pressures and cyclicality in the wall putty industry
The wall putty industry, including Drychem Group, is subject to significant competition from organised and unorganised market players, which puts pressure on pricing and profitability. This heightened competition, and cyclical nature of the construction sector, exposes the group to revenue fluctuations. Demand for wall putty is closely linked to performance of construction and infrastructure sectors, which are highly sensitive to macroeconomic conditions.

Profitability susceptible to raw material price fluctuations
Profitability is influenced by key raw material price volatility including dolomite, white cement, polymers, grey cement, and gypsum lumps. Although the cost-plus model with Asian Paints offers some protection, broader market competition and cyclical demand fluctuations have bearing on its profitability. the price adjustments come with a lag of ~1-2 quarters, which affects the company's profitability in the short term. For other products, which the group sells in its own brand, are exposed to fluctuation in input prices where competition limits its ability to pass on fluctuation to end-customers.

Liquidity: Adequate

Liquidity remained adequate, characterised by sufficient gross GCA relative to its lower debt repayment obligations. It is expected to earn GCA of ₹45 to ₹60 crore in the near term against debt repayment obligations ranging from ₹7 to ₹10 crore. The current ratio remains comfortable at 1.55x for FY24. Cash flow from operations continues to be positive at ₹64.56 crore in FY24. Average of maximum working capital utilisation for 12 months ending November 2024 was ~41%, indicating an extra cushion for exigencies. The company has cash and liquid investment of ₹20.35 crore (including equity and mutual funds, and cash balance) as on March 31, 2024, and ₹43 crore as at the end of January 2025. The group's operating cycle remains lean considering major business being order backed and low collection period from its reputed customers. Working capital cycle stood at 34 days in FY24 compared to 27 days in FY23.

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments
Cement

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Construction materials	Other construction materials	Other construction materials

About DCG

DCG comprises three entities, parent company, DIPL and its two major subsidiaries MDPL and WPPL. DCG is engaged in manufacturing building construction materials such as white and grey cement-based products primarily wall putty, tile adhesive, gypsum board, and gypsum plaster among others.

DIPL was established on November 16, 2010, and is promoted by Ashok Mehta and his son Kaushal Mehta. It is engaged in the B2B business of manufacturing grey cement-based wall putty, other chemicals, building construction materials, tile adhesives, and structural solutions.

Following two companies became subsidiary of DIPL in FY24:

- **WPPL**: Incorporated on June 25, 2004, WPPL manufactures building materials, including wall putty, tile adhesives, chemicals, and gypsum boards. It operates in the B2C segment, selling products under the brand name 'HOMESURE'.
- **MDPL**: Incorporated on November 01, 2010, MDPL manufactures white cement-based wall putty and other cement-based plaster products.

Brief Financials (Consolidated) (₹ crore)	March 31, 2023 (UA*)	March 31, 2024 (A)	10MFY25 (UA)
Total operating income	1306.00	1154.62	914.50
PBILDT	52.17	57.41	60.80
PAT	21.23	30.44	31.90
Overall gearing (times)	0.28	0.21	0.21
Interest coverage (times)	6.28	7.63	11.69

A: Audited UA: Unaudited; Note: these are latest available financial results,
*For FY23, CARE Ratings has combined financials of DIPL, WPPL and MDPL, after excluding inter-party transactions, and FY24 onwards financials are consolidated.

Brief Financials (₹ crore) (Standalone – MDPL)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	1,341.95	1,028.15
PBILDT	32.55	27.00
PAT	19.73	18.01
Overall gearing (times)	0.03	0.15
Interest coverage (times)	33.27	44.95

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	20.16	CARE A-; Stable
Fund-based - LT-Term Loan		-	-	31/03/2029	21.84	CARE A-; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	0.50	CARE A2+
Non-fund-based-LT/ST		-	-	-	3.00	CARE A-; Stable / CARE A2+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based - ST-Bank Guarantee	ST	0.50	CARE A2+				
2	Fund-based - LT-Cash Credit	LT	20.16	CARE A-; Stable				
3	Fund-based - LT-Term Loan	LT	21.84	CARE A-; Stable				
4	Non-fund-based-LT/ST	LT/ST	3.00	CARE A-; Stable / CARE A2+				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple
4	Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1.	Drychem India Private Limited	Full	Operational and financial linkages
2.	Walplast Products Private Limited	Full	Operational and financial linkages

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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