

Mcnroe Consumer Products Private Limited

Instrument	Amount	Rating Action
Fund Based Limit – Working Capital limits	Rs. 45 crore	[[ICRA]BBB(Stable) revised from [ICRA]BBB+(Stable)
Non-Fund Based Limit – Foreign Letter of Credit	Rs. 7 crore	[ICRA]A3+ revised from [ICRA]A2

ICRA has revised downwards the long term rating assigned to the Rs. 45 crore¹ fund based bank facilities of Mcnroe Consumer Products Private Limited (MCPPL)² from [ICRA]BBB+ (pronounced ICRA triple B plus) to [ICRA]BBB (pronounced ICRA triple B). The outlook on the long term rating is stable. ICRA has also downgraded the short-term rating of Rs. 7 crore non fund based bank facilities from [ICRA]A2 (pronounced as ICRA A two) to [ICRA]A3+ (pronounced as ICRA A three plus).

The downward revision of ratings primarily takes into account the declining profitability & cash accruals with ROCE witnessing a decline over the years. The company's mounting debt level with declining profitability had adversely impacted its coverage indicators. Moreover, significant decline in the sale of the company's main product, deodorant, during FY2016 had led to decline in turnover. ICRA notes that the advertisement and sales promotion expenses would continue to remain high, which is typical in deodorant market, given the intense competition in the personal care business with branding and packaging being an important part in this line of business. Further, presence of a number of large and reputed players intensifies competition in a crowded deodorant market. However, the ratings also take into account the strong brand equity enjoyed by MCPPL's products, with the male deodorant 'Wild Stone' amongst one of the highest selling deodorant brands in India. Besides the company's pan-India presence with a wide distribution network which is ably supported by the long track record of the promoters in the personal care industry. The ability of the company to increase its profitability and manage its working capital requirements efficiently would be key rating sensitivities going forward.

Company Profile

MCPPL originally started its business as a proprietorship firm Mcnroe Chemicals in Kolkata in the year 1983. In 1993, Mcnroe Chemicals Private Limited (MCPL) was formed, which took over the business of Mcnroe Chemicals. The name was later changed to Mcnroe Consumer Products Private Limited (MCPPL) in 2009. MCPPL is currently engaged in the manufacturing and marketing of body care (talcum powder), skin care (soap, antiseptic cream, cold cream and moisturising lotion), perfumeries (perfumes and deodorants) and men's toiletries (shaving cream, after shave lotion and shaving brush) products. While MCPPL manufactures shaving cream, moisturising lotion and talcum powder at its sole manufacturing facility at Haridwar, Uttarkhand, the other products of the company are outsourced to contract manufacturing companies.

Recent Results

MCPPL has reported net profit of Rs.1.50 crore (provisional) on an operating income of Rs.303.57 crore (provisional) during FY2016 as compared to a net profit of Rs. 1.51 crore on an operating income of Rs. 338.27 crore during FY2016.

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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