

Press Release
Mangalam Metals & Ores Limited

October 24, 2018



Rating Re-affirmed

Total Bank Facilities Rated*	Rs. 50.00 Cr.
Long Term Rating	ACUITE BBB/Stable(re-affirmed)

* Refer Annexure for details

Rating Rationale

Acuite has re-affirmed long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs. 50.00 crore bank facilities of Mangalam Metals & Ores Limited (MMOL). The outlook is "**Stable**".

Incorporated in 2003- Mangalam Metal & Ores Limited is an Odisha based company engaged in trading of iron ore. Initially the company started processing of iron ore lumps into sized ore and fines. The company had set up a 50 TPH iron ore crushing unit at Kasia, Barbilbut after restriction on iron ore crushing by the government of Odisha , the business of iron ore crushing was discontinued since December 2010 and trading of iron became the prime business. The company was promoted by Mr. Rajendra Gupta and Mr. Dinesh Agarwal.

Key Rating Drivers

Strengths

Experienced Management and long track record of operation

Incorporated in 2003- Mangalam Metal & Ores Limited was promoted by Mr. Rajendra Gupta and Mr. Dinesh Agarwal and has a long track record of 15 years in the field of iron ore trading business.

Robust financial risk profile

The financial risk profile of MMOL is robust marked by healthy net worth base, conservative gearing (debt-equity) and strong debt protection metrics. The net worth stood at Rs. 62.99 cr as on 31st March, 2018 compared with Rs. 42.08 cr in the previous year. The debt to equity of the company stands at 0.59 times on 31st March, 2018 as against 0.63 times in the previous year. The total debt as on 31st March'2018 consists of Rs 11.63 cr of cash credit, Rs 25.25 cr of unsecured loan from related parties/group companies. The debt protection metrics stands strong marked by interest coverage ratio of 12.25 times as on 31st March'2018 against 4.01 times in the previous year. Net cash accruals to total debt (NCA/TD) stands at 0.57 times as on 31st March'2018.

Significant Growth in revenue

The company has registered revenue of Rs 605 cr in FY 18 as compare to Rs 93.70 cr in 2017, thereby registering a healthy y-o-y growth of 545.72 per cent. The significant growth in revenue is on account of improvement in the steel market from January'2017 where the company has added new customers in the form of Jindal Steel & Power Limited, Tirumala Sponge & Iron Limited, Orissa Manganese & Minerals Limited, Shyam Sel& Power Limited, Jai Balaji Industries Limited which contributed Rs 105.50 cr to the total revenue (17.43 %). In addition the company has been able to significantly increase its sales from the existing customers in the form of Bhushan Steels

Limited, Monnet Ispat Limited and Electro Casting Limited. Further, MMOL has clocked revenue of Rs 570 crs for the six month ended September'18 (prov).

Prudent Working Capital Cycle

The working capital cycle is prudent as reflected from the comfortable gross current asset (GCA) days of 90 as on 31st March'2018 compared to 260 days in the previous year. The improvements in GCA days are on account of sizeable reduction in debtor days to 7 as on 31st March'18 as against 147 days in the previous year due to change in credit terms with their largest customer in the form of Bhushan Steels limited since April 2017 where most of the payment are currently being taken as advance. The prudent working capital cycle is further demonstrated by the ~50 per cent utilization in the working capital limit of Rs 12 cr for the twelve month ended May'18.

Weaknesses

Customer Concentration

MMOL faces high customer concentration risk. Its top customer Bhushan Steels Limited accounts for 79 per cent and 68 per cent of its sales in FY 2017 and FY 2018 respectively. The high customer concentration renders the company's revenue growth and profitability susceptible to the growth plans of its key customer.

Outlook: Stable

Acuite believes MMOL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and profitability while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company fails to achieve the projected revenues and profitability, or in case of deterioration in its financial risk profile on account of higher-than-expected increase in debt-funded working capital requirements.

Analytical Approach: Acuite has taken a standalone view of the business and financial risk profile and MMOL.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	605.05	93.70	47.42
EBITDA	Rs. Cr.	32.17	3.02	1.28
PAT	Rs. Cr.	20.92	1.64	0.10
EBITDA Margin	(%)	5.32	3.22	2.70
PAT Margin	(%)	3.46	1.75	0.21
ROCE	(%)	38.08	5.99	6.27
Total Debt/Tangible Net Worth	Times	0.59	0.63	0.04
PBDIT/Interest	Times	12.25	4.01	2.12
Total Debt/PBDIT	Times	1.30	7.83	1.26
Gross Current Assets (Days)	Days	90	260	316

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
25-July-2018	Cash Credit	Long Term	12.00	ACUITE BBB/Stable (Assigned)
	Proposed Cash Credit	Long Term	18.00	ACUITE BBB/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB/Stable (Re-affirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	38.00	ACUITE BBB/Stable (Re-affirmed)

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About Acuité Ratings & Research:

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