

Press Release
Mangalam Metals & Ores Limited



27 November, 2019

Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed 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. The company procures iron ore from private mining companies in Odisha and sells the iron ore to the integrated iron & steel manufactures of Odisha, Chhattisgarh, Jharkhand and West Bengal. The company is promoted by Mr. Rajendra Gupta and Mr. Dinesh Agarwal.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operation**

Mangalam Metal & Ores Limited is promoted by Mr. Rajendra Gupta and Mr. Dinesh Agarwal and has a long track record of over 16 years in the iron ore trading business. Acuité believes that the promoters' extensive experience has helped the company to establish long term relations with customers and suppliers and the same is reflected in steady growth in the scale of operations.

- **Robust financial risk profile**

The financial risk profile of MMOL is robust marked by healthy net worth, comfortable gearing (debt-equity) and strong debt protection metrics. The net worth increased to Rs. 87.96 cr as on 31st March, 2019 as compared to Rs. 62.99 cr in the previous year on account of accretion of profits to reserves. The Debt-equity (gearing) stood comfortable at 0.54 times in FY2019 as compared to 0.59 times in FY2018. The total debt of Rs. 47.80 crore in 31st March, 2019 consists of long term debt of Rs. 0.22 crore, unsecured loan from related parties/group companies of Rs.20.86 crore and cash credit of Rs. 26.71 crore. The TOL/TNW stood at 1.31 times in 31st March 2019 as against 1.62 times in previous year. The interest coverage ratio and DSCR stood comfortable at 13.67 times and 9.87 times in FY2019 as compared to 12.25 times and 8.84 times in FY2018 respectively. The Net cash accruals to total debt (NCA/TD) stood at 0.52 times in FY2019 as against 0.57 times in FY2018. Acuité believes that the company's financial risk profile will remain stable in the absence of any debt funded capex.

- **Prudent Working Capital Cycle**

The company's working capital operations are moderate as evident from improvement in Gross Current Asset (GCA) to 77 days in FY2019 as compared to 90 days in FY2018. The company does

not need to maintain inventory as the goods are delivered directly to the customer. The debtor days increased to 27 days in FY2019 as compared to 7 days in FY2018. The prudent working capital intensity is further demonstrated by the ~49 per cent utilization in the working capital limit for the twelve months ended Mar, 2019. Acuité believes that the company's ability to efficiently manage its working capital will remain a key rating sensitivity.

Weaknesses

- **Customer concentration risk**

MMOL faces high customer concentration risk as during FY 2019, the company's top customer Tata Steel BSL Limited accounted for around 71 per cent of its total sales. Also, out of the total revenues of Rs.367.08 crore till September, 2019 (provisional), Rs. 207 crore is from Tata Steel BSL Limited which is around 56% of total revenues. Its top customer Bhushan Steels Limited accounted for 79 per cent and 68 per cent of its sales in FY 2017 and FY 2018 respectively. Acuité believes the high customer concentration renders the company's revenue growth and profitability susceptible to the growth plans of its key customer.

Rating Sensitivity

- Improvement in scale of operations
- Efficient working capital management
- Sustenance of profitability

Material Covenants

None

Liquidity Profile

The company's liquidity profile is strong marked by moderate net cash accruals as against no major debt obligations. The company generated cash accruals of Rs. 25.07 crore in FY19 to repay its maturing debt obligations of Rs.0.03 crore over the same period. Moreover, the company's working capital operations are moderate marked by gross current asset (GCA) of 77 days in FY2019 as against 90 days in FY2018. The current ratio stood at 2.11 times as on March 31, 2019 and the fund-based limit remains utilised at 49 percent over the twelve months ended Mar, 2019. The company maintains unencumbered cash and bank balances of Rs.5.79 crore as on March 31, 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term in the absence of any debt funded capex.

Outlook: Stable

Acuité believes that the company's outlook will remain stable over the medium term backed by 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.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	876.76	605.05	93.70
EBITDA	Rs. Cr.	38.09	32.17	3.02
PAT	Rs. Cr.	24.97	20.92	1.64
EBITDA Margin	(%)	4.34	5.32	3.22
PAT Margin	(%)	2.85	3.46	1.75

ROCE	(%)	32.37	38.08	9.67
Total Debt/Tangible Net Worth	Times	0.54	0.59	0.63
PBDIT/Interest	Times	13.67	12.25	4.01
Total Debt/PBDIT	Times	1.25	1.15	7.83
Gross Current Assets (Days)	Days	77	90	260

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

ICRA, vide its press release dated July 25, 2019 had denoted the rating of Mangalam Metal & Ores Limited as 'ICRA B-; ISSUER NOT COOPERATING'

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
24-Oct-2018	Cash Credit	Long Term	12.00	ACUITE BBB/Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	38.00	ACUITE BBB/Stable (Reaffirmed)
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	30.00	ACUITE BBB/Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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