

## Press Release

### Mangalam Metals & Ores Limited

November 24, 2020

**Rating Upgraded**



<b>Total Bank Facilities Rated*</b>	Rs. 50.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB+/Stable (Upgraded)

\* Refer Annexure for details

#### Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BBB+**' (**read as ACUITE triple B plus**) from '**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**'.

The rating upgrade is driven by improvement in profitability margins leading to increase in networth levels and improvement in their capital structure. The rating upgrade also takes into account an overall improvement in its liquidity position. The operating profitability margin of the company has improved and stood comfortable at 6.72 per cent in FY2020 as compared to 4.34 per cent in the previous year.

Orissa based, Mangalam Metals & Ores Limited was established in the year 2003 by Mr. Rajendra Gupta and Mr. Dinesh Agarwal. The company is engaged in trading of iron ore. The company procures iron ore from the mines in Orissa and cater to the steel plants in Orissa, Chhattisgarh, Jharkhand and West Bengal.

#### **Analytical Approach:**

Acuité has considered the standalone business and financial risk profile of MMOL while arriving at the rating.

#### **Key Rating Drivers:**

##### **Strengths**

##### **Established track record of operation and experienced management**

The promoters of the company Mr. Rajendra Gupta and Mr. Dinesh Agarwal possess 17 years of experience in the iron ore trading business. Acuité believes that the company will continue to benefit from its promoters' extensive industry experience and healthy relationship with customers over the medium term.

##### **Healthy financial risk profile**

The financial risk profile of the company is marked by healthy net worth, low gearing and strong debt protection metrics. The net worth of the company stood healthy at Rs.112.21 crore in FY 2020 as compared to Rs 87.96 crore in FY2019. The increase in networth is backed by accretion to reserves. The gearing of the company stood low at 0.26 times as on March 31, 2020 when compared to 0.54 times as on March 31, 2019. Interest coverage ratio (ICR) is healthy and stood at 9.41 times in FY2020 as against 13.67 times in FY 2019. The debt service coverage ratio (DSCR) of the company also stood healthy at 7.11 times in FY2020 as compared to 9.87 times in the previous year. The net cash accruals to total debt (NCA/TD) stood healthy at 0.85 times in FY2020 as compared to 0.52 times in the previous year. Going forward, Acuité believes the financial risk profile of the company will remain healthy backed by steady accruals and no major debt-funded capex plan over the medium term.

##### **Efficient working capital management**

The company's working capital operations are marked by Gross Current Asset (GCA) days of 75 days in FY2020 as compared to 77 days in FY2019. The company does not need to maintain inventory as the goods are delivered directly to the customer after receiving the order. The debtor days increased to 33 days in FY2020 as compared to 27 days in FY2019. However, this slight increase in receivables during the year-end is primarily due to the nation-wide lockdown. The efficient working capital management is further demonstrated by the ~42 per cent utilization in the working capital limit for the last six months ended October, 2020. Acuité believes that the company's ability to efficiently manage its working capital will remain a key rating sensitivity.

## Weaknesses

### Declining revenue

The revenue of the company has declined to Rs.523.76 crore in FY2020 as compared to Rs.876.76 crore in the previous year mainly on account of a decrease in average selling price per unit of iron ore to around Rs.3085 MTPA in FY2020 from around Rs.3471 crore in the previous year. The revenue of the company also affected on account of a decrease in volume sale to 1686411 MTPA in FY2020 as compared to 2520203 MTPA in the previous year respectively on account of on-going market condition coupled with stiff competition in the domestic market. The company has booked Rs.325.00 crore till 15<sup>th</sup> November 2020 (Provisional).

### Rating Sensitivity

- Ramp up of operations while maintaining their profitability margin
- Sustenance of their conservative capital structure
- Working capital management

### Material Covenant

None

### Liquidity Position: Strong

Acuité believes that the company has strong liquidity marked by healthy net cash accruals in FY2020 of Rs.24.37 crore as against Rs.0.10 crore of yearly debt obligations. The cash accruals of the company are estimated to remain in the range of around Rs. 25.26 crore to Rs. 35.28 crore during 2021-23 against nil repayment obligations. The Gross Current Asset (GCA) days stood comfortable at 75 days in FY2020. The bank limit is ~42 per cent utilized by the company for the last six months ended in October 2020. The current ratio of the company stood at 7.27 times as on March 31, 2020. The liquidity of the company is also supported by the unencumbered cash balance of Rs.6.91 crore in FY2020 and free investment with a bank of Rs.29.11 crore as on 31<sup>st</sup> March 2020. Moreover, the company neither availed the loan moratorium till Aug 2020 for cash credit nor applied for any COVID emergency fund. Acuité believes that the liquidity of the company is likely to remain strong over the medium term on account of healthy cash accruals against long debt repayments over the medium term.

### 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	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	523.76	876.76
PAT	Rs. Cr.	24.26	24.97
PAT Margin	(%)	4.63	2.85
Total Debt/Tangible Net Worth	Times	0.26	0.54
PBDIT/Interest	Times	9.41	13.67

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

ICRA, vide its press release dated October 20, 2020 had denoted the rating of Mangalam Metals & Ores Limited as 'ICRA B-/Stable' ISSUER NOT COOPERATING.

### Any other information

None

### Applicable Criteria

- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities – <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments – <https://www.acuite.in/view-rating-criteria-53.htm>

**Note on complexity levels of the rated instrument**  
<https://www.acuite.in/view-rating-criteria-55.htm>

**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
27-Nov- 2019	Cash Credit	Long Term	30.00	ACUITE BBB/Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	20.00	ACUITE BBB/Stable (Reaffirmed)
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-Jul-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 (Upgraded)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB+/Stable (Upgraded)

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**About Acuité Ratings & Research:**

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