



**Press Release**  
**MANGALAM PIPES PRIVATE LIMITED**  
**May 12, 2022**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE BBB-   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) to the Rs.25.00 crore bank facilities of Mangalam Pipes Private Limited (MPPL). The outlook is '**Stable**'.

**Rationale for Rating Assigned**

The rating assigned reflects a long established track record of operations, experience of management along with improvement in scale of operations over the period of three years. The rating also factors in the efficient working capital management along with adequate liquidity position. However, the above mentioned strengths are partly offset by the moderate financial risk profile, fluctuating operating profitability margins due to volatility in raw material prices and intense competition in the industry along with supplier concentration risk.

**About the Company**

Mangalam Pipes Pvt Ltd. was incorporated in 2008 and based in Bengaluru (Karnataka). The company is one of the largest manufacturers and suppliers of HDPE pipes in South India including Karnataka, Tamilnadu, Kerala, Telangana, Andhra Pradesh, and Maharashtra. MPPL manufactures HDPE pipes used in commercial and residential construction, irrigation projects etc. The company is promoted by Mrs. Vimala Devi Lodha, Mr. Jeetendra Mal Lodha and Mr. Vikas Lodha. The company has its manufacturing facilities located at Bangalore with an installed capacity of 18,600mt.

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of Mangalam Pipes Private Limited (MPPL) to arrive at the rating.

**Key Rating Drivers**

**Strengths**

**Established track record and experienced management**

Incorporated in 2008, MPPL has an established track record of more than a decade in this line of business with an experienced management. The promoters of the company, Mr Vikas Lodha, Mr Jeetendra Mal Lodha and Mrs Vimala Devi Lodha have a vast experience of more than three decades in this line of business. The company is managed by Lodha family since its inception. The experience of the promoters has helped the company to maintain a healthy relationship with its customers and suppliers along with a dealers network in major

cities of South India namely Hyderabad, Chennai, Coimbatore, Trivandrum, Cochin, Hubli, Mysore, Mangalore, etc. The experience of the promoters is also reflected through improving

scale of operations over the three years, with revenue of Rs.129.71 Cr in FY2021 as against Rs.121.08 Cr in FY2020 and Rs. 95.07 Cr in FY2019. Further, the Company has already achieved a turnover of Rs ~ 188 crore till March 2022 and scale of operations are expected to improve going forward considering the more emphasis of government on irrigation and dam projects. Acuité believes that the company will benefit from the long track record of operations along with a healthy relationship with its customer and suppliers.

### **Working capital efficient operations**

The working capital management of the company is efficient marked by moderate Gross Current asset days of 88 days in FY21 as against 87 days in FY20. The GCA days are majorly driven by receivables, which stood at 60 days in FY21 as against 75 days in FY20 which is in line with the credit period allowed to customers of 60-90 days. The inventory holding period increased to 30 days in FY21 as against 12 days in FY20, to insulate price variation as there are volatility in prices. The payable period stood at 14 days in FY21 as against 19 days in FY20. Company pays in advance to majority of its suppliers and with few enjoys the credit period of 10-15 days. Further, the average bank limit utilization stood at around 64 percent for the last 13 months ended February 2022.

Acuité expects the working capital management to remain efficient over the medium term.

### **Weaknesses**

#### **Moderate Financial risk profile**

The company has a moderate financial risk profile marked by healthy net worth, moderate gearing and debt protection metrics. The tangible net worth of the company increased to Rs.19.64 crore as on 31 March 2021 as against Rs.14.51 crore as on 31 March 2020 on account of accretion of profit to reserves. The gearing (Debt/Equity) of the company stood moderate at 1.22 times as on 31 March 2021 as against 1.56 times as on 31 March 2020 where as Total Outside liabilities/Tangible Net worth stood at 1.54 times as on 31 March 2021 as against 2.08 times as on 31 March 2020. The total debt as on 31 March 2021 consist of working capital limits from banks of Rs.13.78 crore and unsecured loan from promoters of Rs.9.92 crore. The debt protection metric stood moderate with Interest Coverage Ratio (ICR) stood at 4.70 times in FY21 and debt-service-coverage ratio stood at 2.53 times as on FY 21. The debt to EBITDA stood at 2.19 times in FY21 as against 2.04 times in FY20.

Acuité believes the financial risk profile of the company is expected to remain moderate backed by moderate cash accruals in the near to medium term.

### **Highly competitive industry with susceptibility of margins to volatility in raw material prices**

The pipes and fittings industry is highly competitive which results in facing competition from both organized and un-organized segments. Moreover, the fragmented nature of the business and the current scale of operations limit MPPL's pricing flexibility amidst intense competition. Major raw material includes plastic granules and master batch which are a crude oil based products. The input prices are volatile, and thus, any sharp decline or increase in crude oil prices can impact the operating profitability. Further, the company faces supplier concentration risk as its procure more than 75% of it raw material from Haldia Petrochemicals Ltd and ONGC Petro Addition Limited.

Hence sustenance of operating margins over the medium term shall remain a key monitorable.

### **Rating Sensitivities**

- Growth in revenue with sustainability of the profitability margins leading to sustained increase in net cash accrual.
- Any deterioration of its financial risk profile and liquidity position.

### **Material covenants**

None.

### **Liquidity Position: Adequate**

The MPPL's liquidity remains adequate marked by sufficient net cash accruals of Rs.6.85 crore

against a Rs. 0.15 crore repayment obligation in FY21. Further, the company is expected to maintain a net cash accruals of Rs 7.37 Crores against the debt repayment obligation of Rs 0.18-2.67 crore over the medium term. The company maintains an unencumbered cash and bank balance of Rs.0.19 crore as on 31 March, 2021 and the current ratio stood healthy at 1.67 times as on 31 March 2021 as against 1.45 times as on 31 March 2020. The average bank limit utilization stood at around 64 per cent for the last 13 months ended February 2022.

**Outlook: Stable**

Acuité believes that MPPL will maintain a 'Stable' outlook and continue to benefit over the medium term owing to the extensive experience of the promoters, established track record of operations and efficient working capital operations. The outlook may be revised to 'Positive' if the company achieves significant growth in revenue and improvement in profitability while maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile on account of higher than expected working capital requirement.

## Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	129.71	121.08
PAT	Rs. Cr.	5.13	5.11
PAT Margin	(%)	3.95	4.22
Total Debt/Tangible Net Worth	Times	1.22	1.56
PBDIT/Interest	Times	4.70	4.38

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

ICRA, vide its press release dated November , 2021 had denoted the rating of Mangalam Pipes Private Limited as 'ICRA B+/STABLE/ICRA A4'; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

### Any other information

None.

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector -<https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of 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 :

Not Applicable.

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	19.50	ACUITE BBB-   Stable   Assigned
HSBC	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.70	ACUITE BBB-   Stable   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.80	ACUITE BBB-   Stable   Assigned

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Parth Raval Management Trainee-Rating Operations Tel: 022-49294065 <a href="mailto:parth.raval@acuite.in">parth.raval@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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