Press Release
MANGALAM PIPES PRIVATE LIMITED
July 11, 2023
Rating Reaffirmed

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

Rating Rationale
Acuité has reaffirmed its long-term rating of **'ACUITE BBB-' (read as ACUITE Triple B minus)** on Rs.25.00 crore bank facilities of Mangalam Pipes Private Limited (MPPL). The outlook is **'Stable'**.

Rationale for Rating Reaffirmed
The reaffirmation of the rating takes into account the stable operating performance of MPPL in FY2023 (Prov), marked by an improved scale of operations and range bound operating margins. The revenue of the company improved to Rs.293.87 crore in FY2023 (Prov) as against Rs.188.21 crore in FY2022 driven by increase in demand for HDPE pipes in the domestic markets. The rating continues to derive strength from extensive experience of the management, its efficient working capital operations and adequate liquidity position. However, the above mentioned strengths are partly offset by susceptibility of profitability margins to volatility in raw material prices and intense competition in the industry along with the supplier concentration risk.
Further, the company bought a new HDPE manufacturing unit in Karnataka in March 2023 which commenced operations from 15th June 2023, also the company's solar power project became operation from April, 2023 onwards. Going forward, the company's ability to capitalize the benefits from the new projects, improvement in its scale of operations, and profitability will be a key rating monitorable.

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. The manufactured pipes are used in commercial and residential constructions, 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
Acuité 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 company is managed by the Lodha family since inception. Mr Vikas Lodha, Mr Jeetendra Mal Lodha and Mrs Vimala Devi Lodha

are the current promoters with more than three decades of experience that helped company to maintain a healthy relationship with its stakeholders, along with a dealers' network in South Indian region, such as Hyderabad, Chennai, Coimbatore, Trivandrum, Cochin, Hubli, Mysore, Mangalore, etc.
The experience of the promoters is also evident through the improving scale of operations, with revenue of Rs.293.87 Cr in FY2023 (Prov) as against Rs.188.21 Cr in FY2022. Going forward, the Company's scale of operations are expected to improve considering more emphasis of government on water 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 GCA days of 54 days in FY23 (Prov) as against 92 days in FY22. The company maintains inventory levels of around 19 days in FY23 (Pov) as against 17 days for FY22. Generally, the inventory holding period that the company follows is ~30 days. Subsequently, the debtor's collection period stood at 33 days in FY23 (Prov) as against 50 days for FY22. Generally, the company gives a credit period of 60 days to its customers. Furthermore, the creditor days stood at 10 in FY23 (Prov) as against 16 days in FY22. Generally, the company pays in advance to the majority of its suppliers and with few enjoys the credit period of 10-15 days. As a result, the reliance of working capital limits is reflected by average utilization of its working capital limits for Indusind Bank of around ~60 percent and for HDFC Bank of around ~36 percent in last 08 months ending April' 2023.
Acuité expects the working capital management to remain efficient over the medium term.

>Moderate Financial risk profile
The financial risk profile of the company stood moderate, marked by moderate net worth, moderate gearing (debt-equity) and moderate debt protection metrics. The tangible net worth stood at Rs.32.28 crore as on 31 March 2023 (Prov) as against Rs.25.33 crore as on 31 March, 2022. The total debt of the company stood at Rs.36.54 crore which includes short-term debt of Rs.24.24 crore, unsecured loans of Rs.12.30 crore as on 31 March 2023 (Prov). The gearing (debt-equity) stood at 1.13 times as on 31 March 2023 (Prov) as compared to 1.14 times as on 31 March, 2022. Interest Coverage Ratio stood at 4.84 times for FY2023 (Prov) as against 4.89 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 4.13 times in FY2023 (Prov) as against 3.82 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.48 times as on 31 March, 2023 (Prov) as against 1.53 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.34 times for FY2023 (Prov) as against 0.25 times for FY2022.
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.

Weaknesses

>Highly competitive industry with susceptibility of margins to volatility in raw material prices
The pipes and fittings industry is highly competitive, results in facing competition from both the 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 it procures more than 55% of its raw materials 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 company's liquidity position is adequate, marked by moderate net cash accruals against the maturing debt obligations. The company generated sufficient net cash accruals in the range of Rs.6.85-12.37 Crore from FY2021-23 against its maturity repayment obligations in the range of Rs.0.15-0.18 crore in the same tenure. In addition, it is expected to generate sufficient cash accrual in the range of Rs.16.13-20.15 crore against the maturing repayment obligations of Rs.2.27 crore over the medium term. The working capital management of the company is efficient marked by GCA days of 54 days in FY2023 (Prov) as against 92 days in FY2022. The reliance of working capital limits is reflected by average utilization of its working capital limits for Indusind Bank of around ~60 percent and for HDFC Bank of around ~36 percent in last 08 months ending April' 2023. The company maintains unencumbered cash and bank balances of Rs.2.64 crore as on March 31, 2023 (Prov). The current ratio stood at 1.27 times as on March 31, 2023 (Prov), as against 1.73 times as on 31 March, 2022.

Acuité believes that liquidity profile is expected to remain adequate on account of adequate cash accruals against moderate repayment obligations.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	293.87	188.21
PAT	Rs. Cr.	6.95	5.68
PAT Margin	(%)	2.37	3.02
Total Debt/Tangible Net Worth	Times	1.13	1.14
PBDIT/Interest	Times	4.84	4.89

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

Crisil vide its press release dated 27.03.2023 had rated the company to CRISIL BB+/Stable; Issuer Not Cooperating.
ICRA vide its press release dated 31.01.2023, had rated the company to ICRA B+/Stable/A4 ; Issuer Not Cooperating.

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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
12 May 2022	Cash Credit	Long Term	4.70	ACUITE BBB- | Stable (Assigned)
	Proposed Bank Facility	Long Term	0.80	ACUITE BBB- | Stable (Assigned)
	Cash Credit	Long Term	19.50	ACUITE BBB- | Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	19.50	ACUITE BBB- | Stable | Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.50	ACUITE BBB- | Stable | Reaffirmed

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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.