

Press Release
MANGALAM WORLDWIDE LIMITED
July 24, 2024
Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	126.00	ACUITE BBB+ Stable Assigned	-
Bank Loan Ratings	10.00	-	ACUITE A2 Assigned
Total Outstanding Quantum (Rs. Cr)	136.00	-	-

Rating Rationale

Acuite has assigned the long-term rating to '**ACUITE BBB+**' (read as **ACUITE Triple B plus**) and the short-term rating to '**ACUITE A2**' (read as **ACUITE A Two**) on the Rs. 136.00 Cr. bank facilities of Mangalam Worldwide Limited (MWL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned reflects the strong industry presence of the company along with the experience of the promoters in the steel industry. The promoter of the company has over 30 years of experience in the industry. The rating also factors in the healthy financial risk profile of the company marked by the infusion of funds by promoters as well as investors in form of warrants. The rating also factors in the significant improvement in operating performance of the company due to addition of value-added products for the company which led to increase in operating margins of the company to 4.79 percent in FY24 from 2.82 percent in FY23. Further, the liquidity of the company is also marked adequate on account of sufficient cash accruals against the repayment obligations. However, these strengths are offset by the moderate working capital operations of the company on account of moderate GCA days of 133 days in FY24.

About the Company

Incorporated in 1995, Mangalam Worldwide Limited is promoted by Ahmedabad based 'Mangalam' Group. The company is engaged in manufacturing and trading of steel products (S.S. Billets, S.S. Flat Bars, Steel and Seamless pipes etc.). The company has integrated steel products manufacturing plants right from manufacturing billets, ingots to seamless pipes which brings efficiency in operations along with the advantage of full range of products from these activities. The board of directors of this company are Mr. Chanakya Prakash Mangal, Ms. Sarika Sachin Modi, Mr. Pritu Gupta, Mr. Chandragupt Prakash Mangal, Mr. Vipin Prakash Mangal, Mr. Mohit Kailash Agrawal, Mr. Anilkumar Shyamlal Agrawal and Ms. Varsha Biswajit Adhikari.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Mangalam Worldwide Limited (MWL) to arrive at the rating.

Key Rating Drivers

Strengths

Established track record along with experienced management of the company.

Incorporated in the year 1995, Mangalam Worldwide Limited is an NSE emerge listed entity, which is into the business of Manufacturing of steel products. The promoter of the company Mr. Vipin Prakash Mangal has an over 30 years of experience in the business which is also supported by the second generation of the family. Company currently has 3 manufacturing plants located each at Halol, Changodar and Kapadvanj in state of Gujarat. MWL had acquired all this plants through NCLT in between FY21 to FY23, earlier the company used to operate on leased plants. The company manufactures Billets at Halol plant which are forwarded to Changodar plants for manufacturing of Round and Flat bars. Further, this are sent to the newly acquired Kapadvanj plant to manufacture specialized steel products like Bright bars, Mother hollows, Seamless pipes and Seamless tubes, which are high margins accretive for the business. Going ahead the company is expected to utilize higher capacity for the specialized products.

Acuite believes that MWL will continue to benefit from its established track record of operations and experience of its management team.

Significant improvement in operating performance led by addition of value-added products

The acquisition of Stainless Seamless Pipes & Tubes and ERW Pipes Plant from H. M. Industrial Private Limited by the MWL has led to the significant growth in the operating performance of the company. The revenue of the company has grown by 27 percent in FY24 to Rs.818.09 crore. Along with this, the acquisition has also led to the improvement in the margins for the company, the operating margins for the company improved by 197 basis point to 4.79 percent in FY24. The margins are further expected to increase on account of higher capacity utilizations of the acquired plant which manufactures specialized steel products having higher margins in the market. However, the PAT margins for the company stood at similar level of 2.46 percent in FY24 as against 2.44 percent in FY23 on account of higher interest expense for the company in FY24.

Acuite believes that the operating performance of the company will continue to remain healthy going ahead on account of higher capacity utilization of the plants.

Healthy Financial risk profile

The financial risk profile of the company remained healthy marked by a healthy net worth, low gearing, and moderate debt protection metrics. The net worth of the company stood healthy at Rs. 169.02 Cr. as on March 31, 2024, as against Rs. 127.58 Cr. as on March 31, 2023. The increase in net worth is primarily due to the accretion of profits to the reserves and the part conversion of warrants amounting to Rs.25.75 crore till 31st March 2024. Further the net worth of the company is estimated to increase further in FY25 on account of conversion of remaining outstanding warrants. The company follows a conservative risk policy as reflected in the peak gearing of 1.03 times as on 31st March 2022. The gearing of the company stood at 0.62 times as on March 31, 2024, as against 0.67 times as on March 31, 2023. The TOL/TNW stood at 1.38 times as on March 31, 2024, as against 0.94 times as on March 31, 2023. The coverage indicators for the company also stood moderate with DSCR and Interest coverage ratio standing at 2.41 times and 2.77 times respectively as on 31st March 2024.

Acuite believes that the financial risk profile of the company may continue to remain healthy with steady cash accruals to fund capex, if any in the near to medium term done by the company.

Weaknesses

Moderate working capital operations of the company

The working capital operations of the company remains moderate marked by GCA days of 133 days in FY2024 as against 93 days in FY 2023. The GCA days are comprised of high inventory, debtors and other current assets which pertains to advances given to suppliers. The debtor days stood at 44 days in FY 2024 as against 30 days in FY 2023, the debtors majorly comprise of less than 90 days. The inventory for the company stood at 68 days in FY 2024 as against 38 days in FY 2023. However, the creditors days increased to 60 days in FY 2024 as against 8 days in FY 2023. Further, the bank limit utilizations for the company also stood moderate with 90 percent utilized in the last 12 months ended June 2024.

Acuite believes that the working capital operations of the company will continue to remain moderate on account of the nature of operation.

Rating Sensitivities

- Increase in capacity utilizations for the company leading to further increase in scale of operations
- Improvement in working capital operations of the company.

Liquidity Position Adequate

The Company had a Cash and Bank balance of Rs. 2.45 Crore as on March 31, 2024. The company generated NCA of Rs. 26.51 crore in FY24. Further, it is estimated that the company will generate a healthy NCA of Rs. 30 Cr. and Rs. 42 Cr. as against repayment of Rs. 3 Cr and Rs. 4.15 Cr. respectively for FY25 and FY26. The company is also expected to receive the balance payments of warrants from investor/promoter during current financial year, amounting to Rs.29.89 Cr. The current ratio of the company has further improved to 1.46 times in FY 2023-24. The bank limit utilizations for the company also stood moderate with 90 percent utilized in the last 12 months ended June 2024.

Acuite believes that the liquidity position of the company will continue to remain adequate on account of steady cash accruals.

Outlook: Stable

Acuité believes the outlook on MWL will continue remain 'Stable' over the medium term on the back of extensive promoter's experience in the steel industry and a Healthy financial risk profile. The outlook may be revised to 'Positive' if the company is able to significantly improve its capacity utilization of value-added products leading to significant improvement in scale of operations and the profitability margins while maintaining its working capital operations. Conversely, the outlook may be revised to 'Negative' in case of a sharp decline in accruals, a decline in profitability margin or deterioration in debt protection metrics.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	818.09	644.48
PAT	Rs. Cr.	20.10	15.75
PAT Margin	(%)	2.46	2.44
Total Debt/Tangible Net Worth	Times	0.62	0.67
PBDIT/Interest	Times	2.77	7.45

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <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. Acuité'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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A2 Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE BBB+ Stable Assigned
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	ACUITE BBB+ Stable Assigned
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A2 Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.70	ACUITE BBB+ Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	25 Apr 2029	Simple	25.30	ACUITE BBB+ Stable Assigned

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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.

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