



Press Release

Mangal Electrical Industries Private Limited

June 13, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	46.08	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	50.81	IVR A3+ (IVR A Three Plus)	Assigned	Simple
Total	96.89	Rupees Ninety Six Crore and Eighty Nine Lakhs Only		

Details of Facilities are in Annexure 1

Detailed Rationale

Informetrics Valuations and Ratings Private Limited (IVR) has assigned long-term rating of IVR BBB with a Stable Outlook and short term rating of IVR A3+ for the bank loan facilities of Mangal Electrical Industries Private Limited (MEIPL).

The rating draws comfort from its experienced promoters, growing scale of operations albeit moderate profitability and comfortable capital structure with healthy debt protection metrics. However, these strengths are partially offset by exposure to project execution risk, presence in a highly fragmented transformer manufacturing industry with susceptibility of margins to volatile raw material prices and foreign exchange rate fluctuation.

IVR has principally relied on the standalone audited financial results of MEIPL upto 31 March 2022, provisional financials for FY23 and projected financials for FY24, FY25 and FY26, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with improvement in profitability and debt protection metrics on a sustained basis.
- Sustenance in the capital structure.
- Management of working capital requirements efficiently with improvement in liquidity position.



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Downward Factors

- Moderation in scale of operations and/or profitability impacting the debt protection metrics on a sustained basis.
- Moderation in capital structure.
- Elongation in the operating cycle impacting the liquidity profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced management

Mr Ashish Mangal & Mr Rahul Mangal are the key promoters of MEIPL. Mr Rahul Mangal has more than 25 years of experience in electrical equipment industry. He looks after purchase, operations and finance functions of MEIPL. Mr Ashish Mangal has more than 21 years of experience in managing business and looks after administration function of the company. The production and marketing functions are looked after by Mr O.P. Sharma (Director) who has over 34 years of experience in electrical equipment industry. MEIPL has appointed qualified & experienced second tier management to look after day-to-day operations.

Growing scale of operations albeit moderate profitability

MEIPL has achieved consistent growth in its total operating income at a CAGR of ~15% during FY20 to FY23 with an y-o-y growth of ~43% in FY23 (Provisional). The growth was largely driven by healthier recovery in demand and higher quantitative sales supported by consistent order inflow during the aforesaid period. The company has maintained moderate profitability marked by EBITDA margin and PAT margin. MEIPL witnessed improvement in its EBITDA margin from 6.81% in FY20 to 9.51% in FY23 (provisional). However, in FY23 the EBITDA margin improved marginally and remained in line with past trends. With growth in EBITDA margin, the PAT margin of the company has also improved from 1.39% in FY20 to 5.09% in FY23 (provisional). The growth in PAT margin during FY23 was mainly due to decrease in finance charges attributable to decline in total debt in FY23.

Comfortable capital structure with healthy debt protection metrics



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The capital structure of the company remained comfortable over the past three account closing dates. The company has a net worth base of Rs.68.73 crore as on March 31,2023 as against Rs. 52.31 crore as on March 31, 2022. The debt equity ratio and the overall gearing ratio of the company stood comfortable at 0.44x and 0.93x respectively as on March 31,2023 (provisional) as against 0.82x and 1.59x respectively as on March 31,2022. The total indebtedness of the company as reflected by TOL/TNW stood comfortable at 1.46x as on March 31,2023 (provisional) as against 2.57x as on March 31,2022 on account of decrease in creditors of the company and increase in tangible net worth. The debt protection metrics stood comfortable marked by interest service coverage ratio (ISCR) of 3.96x in FY23 (FY22: 2.28x).

Key Rating Weaknesses

Exposure to project execution risk

The company is exposed to high project execution risk as most of its projects are at its initial stage of execution.

Presence in a highly fragmented transformer manufacturing industry with susceptibility of margins to volatile raw material prices and foreign exchange rate fluctuation

Due to the low entry barriers owing to low capital requirement and readily available technology, there are large numbers of organized and unorganized players present in the manufacture of lower voltage transformer segment. The high degree of fragmentation restricts the pricing flexibility and bargaining power of players which is further intensified by the tender driven nature of the industry. Further, the prices of the major raw materials are highly volatile due to their global linkages. Also, CRGO steel is mostly imported resulting in added volatility in its prices due to movement in foreign exchange rates.

Analytical Approach: For arriving at the ratings, IVR has analysed MEIPL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)



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[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria for assigning rating outlook](#)

Liquidity – Adequate

MEIPL has generated a cash accrual of Rs.19.72 crore in FY23 (provisional) against the debt repayment obligations of Rs.7.57 crore. Further, MEIPL liquidity position is adequate marked by sufficient cushion in expected accruals vis-à-vis its repayment obligations in FY23-FY25. Average fund based utilization of bank limits for last 12 months ended March 2023 stood at ~76% indicating moderate buffer to meet incremental requirements. Further, the company has reported cash and bank balance of Rs.16.81 crore as on March 31, 2023 (provisional). All these factors reflect adequate liquidity position of the company.

About the Company

Mangal Electrical Industries Private Limited (MEIPL) is a Jaipur based company which was initially formed as a partnership firm in 1990 under the name 'Mangal Electrical Industries' and was subsequently converted into a private limited company in April 2008 and the name was changed to its present form. The company has been promoted by Mr Rahul Mangal along with his brother Mr Ashish Mangal. MEIPL is involved in the manufacturing of transformers, electrical laminations for transformers from cold rolled grain oriented (CRGO) Steel and Prestressed Cement Concrete (PCC) poles.

MEIPL operates out of five manufacturing facilities and has aggregate production capacity of 50,400 nos. per annum of transformers and 72 lakh MTPA (metric tonnes per annum) of CRGO steel lamination. The company is also undertaking Engineering Procurement and Construction (EPC) contracts in the power sector under Rajeev Gandhi Grameen Vidyutikaran Yojana (RGGVY)/ Deen ayal Upadhaya Gram Jyoti Yojna (DDUGJY) schemes of Central Govt.

Financials (Standalone):

(Rs. Crore)		
For the year ended*	31-03-2022	31-03-2023
	Audited	Provisional



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Total Operating Income	218.41	310.22
EBITDA	20.67	29.50
PAT	6.07	15.97
Total Debt	83.30	64.14
Tangible Net worth	52.31	68.73
EBITDA Margin (%)	9.47	9.51
PAT Margin (%)	2.77	5.09
Overall Gearing Ratio (x)	1.02	0.93

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None.

Any other information: Nil

Rating History for last three years:

Sr. No.	Type of Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	Long Term	27.30	IVR BBB/ Stable	-	-	-
2.	Term Loan	Long Term	16.16	IVR BBB/ Stable			
3.	GECL	Long Term	2.62	IVR BBB/ Stable			
4.	Bank Guarantee	Short Term	50.81	IVR A3+	-	-	-

Name and Contact Details of the Rating Analyst:

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India



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registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Facilities - Cash Credit	-	-	-	27.30	IVR BBB/ Stable
Long Term Facilities – Term Loan	-	-	-	16.16	IVR BBB/ Stable
Long Term Facilities - GECL	-	-	-	2.62	IVR BBB/ Stable
Short Term Facilities – Bank Guarantee	-	-	-	50.81	IVR A3+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable



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Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Mangal-Electrical-jun23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [Complexity Level of Rated Instruments/Facilities](#).