



Press Release

Mangalam Worldwide Limited (MWL)

October 30, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term – Fund Based Facilities	130.00	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
Short Term – Non Fund Based Facilities	10.00	IVR A3 (IVR A Three)	Assigned	Simple
Total	140.00 (One Hundred and Forty crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of the Mangalam Worldwide Limited (MWL) factors in the experience of its promoters, integrated manufacturing facility, synergy benefits through acquisition and moderate financial risk profile. The ratings are, however, constrained by company's exposure to intense competition, susceptibility to volatility in raw material prices and vulnerability to cyclical in end-user segment.

Key Rating Sensitivities

Upward Factor

- Substantial and sustained improvement in revenue and profitability
- Substantial improvement in debt protection metrics
- Achievement of projected revenue and profitability



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Downward Factor

- Deterioration in revenue and/or profitability leading to deterioration in debt protection metrics.
- Any debt funded capex leading to deterioration in the debt protection parameters and/or the liquidity position of the company

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced Promoters of the company

Managalam Worldwide Limited (MWL) is promoted by Mr. Vipin Prakash Mangal who has experience of more than 35 years. He is a visionary with strong analytical reasoning and financial market knowledge and understanding that help in organizational development, strategic management and overall growth in business. Mr. Vipin Prakash Mangal is ably supported by his sons namely Mr. Chanakya Prakash Mangal & Mr. Chandragupt Prakash Mangal who are actively involved in all the business related strategic decisions. The day-to-day operations of the company are handled by professional team.

Fully Integrated Manufacturing Facility

The Company is using its owned products i.e., round bar as raw material for manufacturing of Pipes and Tubes. The Round bars are manufactured in steel melting shop of the Company at Halol plant and thereafter rolled in its rolling mill at Changodar. The Company has also bright bars process facility and piercing facility to manufacture 'Mother Hollow' at Kapadvanj Unit.



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Synergy benefits through acquisition

During the FY22, the Company acquired Agarwal Mittal Concast Private Limited (AMCPL) and during FY23 company acquired Vicor Stainless Private Limited (VSPL) and Steel division of H.M. Industrial Private Limited (HMIPL) through NCLT Process. Such acquisitions have paved the way for the Company to enter new geographical territories as well as new product lines. With this MWL has launched two new product-lines which is 'Stainless Steel Seamless Pipes and Tubes' and 'Electric Resistance Welded (ERW) Pipes' which has good potential in overseas market with decent margins.

Moderate financial risk profile

The Company's financial risk profile is moderately comfortable marked by a comfortable net worth, moderate gearing along with comfortable debt protection metrics. The tangible net worth of the Company stood at Rs.127.58 crore as on March 31, 2023 (A) as against Rs.45.35 crore as on March 31, 2022 (A). The moderate improvement is on account of allotment on equity shares at premium via IPO during the year. The gearing level stood 0.67x as on 31 March, 2023 as against 1.03x as on 31 March, 2022. TOL/TNW (Total outside liabilities/Total net worth) improved and stood at 1.67x as on March 31, 2023 as against 2.25x as on 31 March, 2022.

Key Rating Weaknesses

Exposure to Intense Competition

The steel trading industry is dominated by many unorganised players catering to local demand to save on high transportation cost, as price is the main differentiating factor. The intense competition restricts the bargaining power of MWL with customers and suppliers, resulting in modest operating margin (1-3% over the past three fiscals). The intense competition will continue to constrain scalability, pricing power and profitability of MWL. However, going forward with the increased contribution from seamless pipes and bright bar segments in the overall revenue, the company is expected to be better placed with respect to the profit margins.



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Vulnerability to Cyclicity in End-user Segment

Scale and profitability are linked to the fortunes of the inherently cyclical end user industry which includes construction, automobiles, engineering etc, which has a strong correlation with overall growth in gross domestic product. Operating performance will remain susceptible to volatility in commodity prices and offtake by the key end-user sector.

Susceptibility to volatility in raw material prices

Because of volatility in the price of major raw material- Steel Scrap and Ferro Alloys, the operating margin remain susceptible to these volatilities. The ability of players to pass on input cost increases or retain any benefit of lower input costs is constrained due to intense competition. The company is able to pass on the same to some extent. Going forward, company's ability to pass on any fluctuation in raw material price movement and sustaining the margins will remain a key monitorable.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for manufacturing companies](#)

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

Liquidity- Adequate

The liquidity draws comfort on account of the steady gross cash accruals of MWL, which stood at INR16.46 crore in FY23 (A) [FY22: INR9.56 Crore]. The current ratio stood comfortable at 1.35 times as on March 31, 2023. The overall average fund based working capital utilisation for the last 11 months ended August 2023 stood at ~ 68%. The free cash and bank balances of the company stood at INR4.48 Crore as on March 31, 2023 (A).



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About the Company

Incorporated in 1995, MWL 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.

Financials (Standalone)

(Rs. crore)		
For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	523.03	644.48
EBITDA	11.45	17.81
PAT	12.39	15.75
Total Debt	46.88	86.04
Tangible Net Worth	45.35	127.58
Ratios		
EBITDA Margin (%)	2.19	2.76
PAT Margin (%)	2.37	2.44
Overall Gearing Ratio(x)	1.03	0.67

*As per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount (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	100.00	IVR BBB/Stable	-	-	-
2.	Term Loan	Long Term	30.00	IVR BBB/Stable	-	-	-
3.	Bank Guarantee	Short Term	4.00	IVR A3	-	-	-
4.	Letter of Credit	Short Term	5.00	IVR A3	-	-	-
5.	Credit Exposure Limit	Short Term	1.00	IVR A3	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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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
Cash Credit	-	-	-	100.00	IVR BBB/ Stable
Term Loan	-	-	December 2029	30.00	IVR BBB/ Stable
Bank Guarantee	-	-	-	4.00	IVR A3
Letter of Credit	-	-	-	5.00	IVR A3
Credit Exposure Limit	-	-	-	1.00	IVR A3

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-mangalam-oct23.pdf>

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



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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 www.infomerics.com.

