



Press Release

Mangalam Alloys Limited

March 07, 2023

Ratings

Instrument Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	128.32	IVR BBB- with stable Outlook (IVR Triple B Minus With Stable Outlook)	Assigned	Simple
Short Term bank Facilities	20.00	IVR A3 (IVR A Three)	Assigned	Simple
Total	148.32 (Rupees One Hundred Forty Eight Crores and Thirty Two Lakhs Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Mangalam Alloys Limited considers the improved financial performance during FY2022 (Audited) on a year-on-year basis led by strong demand and improved sales realization. The rating continues to derive comfort from extensive experience of promoters in stainless steel industry, technical expertise to manufacture diversified product profile used in diverse end-user industries and moderate gearing. However, these rating strengths are constrained by working capital intensive operations, stretched debt coverage indicator and profitability exposed to volatility in raw material prices and foreign exchange fluctuations and exposure to cyclicalities associated with steel industry.

Key Rating Sensitivities:

Upward Factors

- Substantial improvement in the scale of operations and profitability margins
- Improvement in debt protection metrics
- Sustenance of the analyzed gearing below 1.10x



Press Release

Downward Factors

- Significant reduction in the scale of operations and profitability margins
- Deterioration in debt protection metrics and overall gearing

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive Experience of Promoters in Stainless Steel Industry

MAL, is an integrated stainless-steel manufacturer based out of Gujarat established in 1988 and subsequently registered as a public company in 1995 but not listed. It has facilities for melting scrap metal to rolling metal sheets. It was established by Mr. Uttamchand Mehta. He has experience of more than three decades in the industry. The company stands to benefit in terms of managing its operations and retaining and nurturing its relationships with important clients from this vast experience of its promoters, who are also supported by a team of qualified and experienced management team.

Technical expertise to manufacture diversified product profile used in diverse end-user industries:

MAL has a diversified product portfolio comprising of SS Billets, Ingots, hot rolled steel, bright round, angle bars & flanges etc. The company is catering to varied key sectors like Automotive, Chemical, Defence, Machine building, Oil & Gas, Petrochemical, Energy & Power and Railways and so on. This enables the company to reap benefits of conglomeration and considerably insulate itself from any sectoral volatility.

Improved scale of operations

During FY22 the total operating income of the company increased by 13.91% on a year on year basis to Rs. 309.26 crores driven by increased sales realization and strong demand in the steel industry.



Press Release

Diversified customers, suppliers and geographical reach in the portfolio :

The company manufactures more than 10 products and sells them to domestic as well as overseas. No customer contributes more than 10-15% hence, the company does not have any concentration risk on customer or geographical reach. The company has multiple suppliers option of procuring its raw material requirement, no lag time was observed in maintaining the inventory levels.

Key Rating Weaknesses

Large working capital requirements :

The company's cash conversion cycle is of more than 150 days, due to large inventory holdings, and a high credit cycle. The company provides credit upto 60-90 days and holds 2 months of inventory every month. The debtor days and inventory days were at 71 days and 158 days. Due to comfort received from suppliers in payment, the working capital requirement is moderately managed. Going forward, IVR believes any stretch in working capital requirements will impact its liquidity profile.

Stretched gearing and weak debt coverage indicators

The capital structure of the group remained moderate with overall gearing and long debt equity of 2.68x and 1.36x as on 31st March 2022 compared to 2.63x and 1.30x as on 31 March 2021 respectively. The financial risk profile of the group is moderate marked by healthy net worth, debt protection metrics and debt coverage indicators. The tangible net worth of company stood at Rs.60.98 Crores as on 31 March 2022 as against Rs.63.86 Crore as on 31 March 2021.

Fluctuations in margins due to volatile raw material prices

The prices of key raw materials are volatile in nature. Demand-supply dynamics also impact prices. The ability to pass on price hike to customers mitigates the exposure, but the working capital-intensive nature of operations should keep the company exposed to this risk. Even if the company can pass on the extra cost on to the customer, the customers might start preferring



Press Release

other competitors due to higher costs. The company needs to make sure that their costs are kept in check and do not eat into the profits being generated.

Competitive and Fragmented Nature of the industry

The industry constituting of steel sheets manufacturing is highly fragmented and has very low entry barrier which makes it a very competitive industry. Both organized as well as the unorganized players are competing for the market share. This tends to reduce the pricing capability of the company as the market decides the price of the product..

Analytical Approach: Standalone

Applicable Criteria :

[Rating Methodologies for Manufacturing Sector Entities](#)
[Financial Ratios & Interpretation Non- Financial Sector](#)
[Criteria for assigning rating outlook](#)

Liquidity – Stretched

The liquidity position of the Company remains stretched as cash accruals are expected to remain stretched to meet the repayment obligations. Further, the company had gross cash accruals of INR 15.54 Crore in FY23 against the current maturity of long term borrowing of Rs. 15.36 Crore in FY22. However, the liquidity is majorly supported by promoters' need-based fund support amid pandemic, earlier the cash generated from the business was adequate enough to cover its repayment obligation and any exigencies. The overall utilisation of the fund-based limits stood moderate at 88.44% during the last 12 months ended Dec 2022. The current ratio stood at 1.27 times as on 31st March 2022. Cash and Cash equivalent amounted to INR 1.38 Crore.



Press Release

About the Company

Mangalam Alloy limited (MAL) is the flagship company of Unison Metal Limited(UCM) group which was established in 1988, and subsequently registered as a public company in 1995 but not listed. MAL produces Stainless Steel (SS) Ingots in the form of straight length bright and black round bars, Bright Bars, Hexagonal & Square bars, Angle Bars, Flat Bars, Fasteners, and Forging. Products of the company have a usage in diversified sectors such as Oil and Gas, Pump Sector, Engineering Sector. The company business model is primarily B2B.

Financials (Standalone):

For the year ended* As on	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	271.25	309.36
EBITDA	11.57	26.87
PAT	-6.53	5.08
Total Debt	162.49	149.91
Tangible Net worth*	63.86	60.98
EBITDA Margin (%)	4.27%	8.69%
PAT Margin (%)	-2.40%	1.64%
Overall Gearing Ratio (x)	2.63x	2.68x

*as per Infomerics standards

Status of non-cooperation with previous CRA : Brickwork Ratings moved the ratings of MAL bank facilities in the 'Issuer Not Cooperating' category vide Press Release dated March 08, 2023 due to non-submission of information by the company.

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	60.32	IVR BBB- with stable Outlook (IVR	-	-	-



Press Release

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
				Triple B Minus With Stable Outlook)			
2.	Cash Credit	Long Term	68.00	IVR BBB- with stable Outlook (IVR Triple B Minus With Stable Outlook)			
3.	Packing Credit	Short Term	10.00	IVR A3 (IVR A Three)			
2	LC/BG	Short Term	10.00	IVR A3 (IVR A Three)	-	-	-

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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 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.



Press Release

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 Bank Facilities – Term Loan	-	-	-	60.32	IVR BBB- with stable Outlook (IVR Triple B Minus With Stable Outlook)
Long term Bank Facilities – Cash Credit				68.00	IVR BBB- with stable Outlook (IVR Triple B Minus With Stable Outlook)
Short Term bank Facilities – Packing Credit				10.00	IVR A3 (IVR A Three)
Short Term bank Facilities – Letter of Credit/Bank Guarantee				10.00	IVR A3 (IVR A Three)

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-MangalamAlloys-mar23.pdf>



Press Release

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 www.infomerics.com

