

MANGALAM GLOBAL ENTERPRISE LIMITED

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 50.00 Crores of Mangalam Global Enterprise Limited (MGEL or The ‘Company’)

Particulars:

Instruments / Facilities**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous	Present
Fund based Cash Credit	NA	40.00	Long Term	NA	BWR BBB-Stable
Fund based Bill Discounting	NA	10.00	Short Term	NA	BWR A3
Total	NA	50.00	₹. Fifty Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank Loan facilities is provided in Annexure-I

Ratings: BWR BBB-/A3 (Outlook: Stable) Assigned

RATING ACTION / OUTLOOK

BWR essentially relied on audited results upto FY20, Projections upto FY22, publicly available information and clarification/information provided by the company.

The ratings take into consideration the experience of promoters, diversified business profile, established relationships with customers and suppliers, locational advantage, revenue growth and adequate financial risk profile.



The ratings, however, are constrained by working capital intensive nature of business, limited operating history of manufacturing operations, high volume low margin business model and intense competition. The ratings also take into account the vulnerability of profit margins to volatile raw material prices, agro-climatic risk and foreign currency fluctuation.

The stable outlook indicates low likelihood of rating change over medium term. BWR believes that Mangalam Global Enterprise Limited's business risk profile will be maintained over medium term.

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

KEY RATING DRIVERS

Credit Strengths:

Experienced and competent management: The company is promoted by Ahmedabad based Mangalam Group. The Promoter of the Company are: Vipin Prakash Mangal, Chanakya Prakash Mangal and Chandragupt Prakash Mangal. Mr. Vipin Prakash Mangal has more than 3 decades of experience in trading business. Mr. Chankya Prakash Mangal and Mr. Chandragupt Prakash Mangal decided to join the family business as a fourth generation. Apart from this, the company has a management team of qualified and experienced professionals adding value to the organization through their expertise.

Diversified Revenue profile: The company is mainly into Manufacturing and Trading of Agricultural Products such as Castor Oil, Castor Seed, Castor Oil cake, High Protein Oil Cake, Cotton Bales, Cotton Seeds etc. Apart from this the company generates revenue as service provider for liaising and clearing service and from lease rentals. It's manufacturing and trading ratio was 56.67% and 43.33% for FY19 and 89.43% and 10.57% for FY20.

Locational Advantage: Gujarat accounts for approximately 75% of the total castor seed production in India. With Gujarat being the main centre for castor seed crop, the company enjoys the advantage of proximity to its main raw material source.

Revenue growth: The company has achieved net sales of 328.91 Crs with operating profit of 5.34 Crs and net profit of 2.19 Crs in FY19. The net sales increased by almost 75% to 573.66 Crs with Operating profit of 8.66 Crs (65% up) and net profit of 3.75 Crs (71% up) in FY20.



Adequate financial Risk Profile: The company has adequate net worth at around Rs 57.74 crs and capital structure is comfortably marked by moderate total outside liabilities to net worth of around 0.59 times for FY20. ISCR at 1.67 times and DSCR at 1.71 times is comfortable for FY20. The ratings also take cognizance that the company has not availed any moratorium under RBI Covid 19 relief package and has maintained adequate liquidity position to service all its interest and debt obligations on due dates.

Credit Risks:

Profitability vulnerable to volatile raw material prices and agro-climatic risk: Seasonal volatility and fluctuations in raw material prices may impact the revenue and thereby affect the margins. Agro-climatic risks related to castor seed production can impact the production and pricing of castor oil, which is its main raw material. Moreover, MGEL is exposed to unexpected foreign exchange price movements, as the export realisations are generally in USD terms. However, it tries to cover a bulk of the forex exposure through forward contracts.

High volume low margin business model : MGEL operates under high volume low margin business model. The financial operations are largely dependent on the volume of the business. The company has to generate higher volume in terms of quantity to increase profitability and to maintain commercial feasibility. The company registered revenue growth of 75% last year by achieving net sales of 573.66 Crs in FY20 against 328.91 Crs previous year. The ratings are constrained by inherently thin margins in this line of business. Gross profit margin ranges from 1.5-4% for manufacturing of these agro based products. Apart from this the company faces competition from organised as well as unorganised players in the industry.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

While assigning the ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).



RATING SENSITIVITIES

Positive :

A rating upgrade is unlikely in the near term. However, BWR could revise the rating if it demonstrates substantial growth in revenue and profitability along with an improvement in its liquidity profile.

Negative :

Negative pressure on the ratings could arise from weak performance and deterioration in liquidity or leverage metrics.

LIQUIDITY POSITION: Adequate

The company has an adequate liquidity profile with absence of any long-term repayment obligations and major capex plans. Further, the company had cash accruals of around Rs. 4.00 Crs and the average utilisation of its fund based limits remained at ~65% in FY20. The company has a short conversion cycle of 18 days and current ratio for FY20 is 2.24times. It is also noted that the company has not availed moratorium under RBI's Covid 19 relief package and has maintained adequate liquidity position.

COMPANY PROFILE

Incorporated in 2010, Mangalam Global Enterprise Limited is set up by Ahmedabad based Mangalam group. The Promoter of the Company are: Vipin Prakash Mangal, Chanakya Prakash Mangal and Chandragupt Prakash Mangal. The company is mainly engaged in the business of manufacturing and trading of Castor Oil (F.S.G.), Castor De-Oiled Cake and High Protein Castor De-Oiled Cake for domestic and international markets. The company also engaged in manufacturing and trading of cotton bales and cotton seeds.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY20	FY19
Result Type		Audited	Audited
Total Operating Income	Rs in Crs	574.06	329.50
EBITDA	Rs in Crs	8.81	5.31
PAT	Rs in Crs	3.75	2.19
Tangible Net worth	Rs in Crs	32.55	57.74
TOL/TNW	Times	0.43	0.59
Current Ratio	Times	2.63	2.24

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY IF ANY : NA

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

Instrument / Facilities	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (Rs.Crs.)	Rating	2019	2018	2017
Fund Based	Long Term	40.00	BWR BBB- Stable	NA	NA	NA
Fund Based	Short Term	10.00	BWR A3	NA	NA	NA
Total		50.00	₹ Fifty Crores Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

General Criteria

Approach to Financial Ratios

Short Term Debt

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Mangalam Global Enterprise Limited
ANNEXURE I -Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	HDFC#	Cash Credit	15.00	0.00	15.00
		Bill discounting	0.00	10.00	10.00
2.	PNB#	Cash Credit	25.00	0.00	25.00
TOTAL					50.00

Total Rupees Fifty Crores only.

#Banks have also sanctioned other facilities like EPC,PCFC, FBD, LC, BG etc as sublimit of cash credit.



For print and digital media

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