



Rating Rationale

Manglam Yarn Agencies

13 May 2019

Brickwork Ratings revises/reaffirms the ratings for the Bank Loan Facilities of ₹. 35.20 Crores of Manglam Yarn Agencies.

Particulars

Facilities	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (April, 2019)	Present
Fund based	28.50	28.50	Long Term	BWR BBB- (Pronounced as BWR Triple B minus) Outlook: <u>Stable</u>	BWR BBB- (Pronounced as BWR Triple B minus) Outlook: <u>Stable</u> Reaffirmed
Proposed LT FB	0.50	-			
Non Fund Based	1.00	6.70	Short Term	BWR A3 (Pronounced as BWR Single A three)	BWR A3 (Pronounced as BWR Single A three) Reaffirmed
Total	30.00	35.20	INR Thirty Five Crores and Twenty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities

Brickwork Ratings has principally relied upon the audited financial results upto FY 2018, provisional of FY 2019, projection of FY 2020, publicly available information and information/clarifications provided by the management of the firm.

The ratings have factored in extensive experience of the partners and management, well established relationship with the stakeholders, robust scale of operations, healthy tangible net worth and moderate



gearing and improvement in the interest coverage level. The ratings are however, constrained by low profitability margins, exposure to intense competition in the industry and susceptibility of operating profitability to volatility in yarn and cotton prices.

Going forward, the ability of the firm to sustain growth in operating revenue, improvement in the profitability margins, and improving the overall financial risk profile shall be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths

- ❑ **Extensive experience of the partners and management:** The firm is benefited by the extensive experience of the partners, Mr. Dinesh Kumar Bagrodia, Mr. Krishan Kumar Goenka, Mrs. Manju Bagrodia and Mrs. Shashi Goenka and the management team comprising of Mr. Dinesh Kumar Bagrodia, Mr. Jugal Kishore Bagrodia and Mr. Sandeep Bagrodia having 2-4 decades of experience in the yarn industry.
- ❑ **Well established relationship with the stakeholders:** Long track record has also helped the firm to establish relationship of more than a decade with its customers as well as suppliers. The firm procures materials from high end yarn manufacturers such as Reliance Industries, Reliance Spinning Mills, Nahar Spinning Mills, Bhilosa Industries, etc and sells the same to the customers located mainly in Rajasthan-based textile manufacturers.
- ❑ **Robust scale of operations:** The firm has been able to register growing and robust scale of operations marked by the total operating income of INR 285.24 crores in FY 2018. The growth momentum in the scale will remain intact in the medium term.
- ❑ **Healthy tangible net worth and moderate gearing:** The firm's healthy tangible net worth of INR 25.00 crores (inclusive of quasi equity) has helped the firm to maintain moderate gearing level marked by Total Debt/TNW and TOL/TNW of 1.05x and 1.42x respectively in FY 2018 as compared with 1.28x and 1.54x respectively in FY 2016.

Credit Concerns

- ❑ **Low profitability margins:** The firm's profitability margins continue to remain low as marked by operating profit margin and net profit margin of 2.24% and 0.22% respectively in FY 2018. The margins have further slipped when compared with FY 2017 in which the OPM and NPM were at 2.34% and 0.24% although the profitability is projected to gain the growth momentum in the medium term and is expected to be at 2.5% and 1.2% respectively in the medium term.
- ❑ **Exposure to intense competition in the industry:** As the firm is engaged in trading of yarns which it procures from well-known yarn manufacturers so it is exposed to intense competition from other players in the industry with similar kind of business model.
- ❑ **Susceptibility of operating profitability to volatility in yarn and cotton prices:** The prices of cotton and yarn are highly volatile in the regional markets depending on the availability of the same, thus affecting the profitability.



Analytical Approach

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

Rating Outlook: Stable

BWR believes the **Manglam Yarn Agencies** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Firm

Established in 1991 as a partnership firm, Manglam Yarn Agencies is a Bhilwara-based firm established by Bagrodia and Goenka family. Mr. Dinesh Kumar Bagrodia, Mr. Krishan Kumar Goenka, Mrs. Manju Bagrodia and Mrs. Shashi Goenka are partners of the firm and the firm is managed by Mr. Dinesh Kumar Bagrodia along with his brother Mr. Jugal Bagrodia and his nephew Mr. Sandeep Bagrodia. All the partners have equal profit sharing in the firm. The firm is engaged in the business of trading in texturized, blended, cotton and spun yarn and the firm caters to the market of Bhilwara, Kishangarh, Jaipur and surrounding areas. The firm distributes yarn manufactured by companies like Reliance Industries Ltd, Reliance Spinning Mills Ltd, Shree Rajasthan Syntex Ltd, SRV Synthetics & Suraj Industries.

Liquidity Position

The firm's liquidity is supported by cash and cash equivalents of INR 0.28 crores in FY 2018. The total amount of fund based working capital facility of INR 28.50crores which has been 90%utilized. The current ratio and quick ratio of the firm at 1.54 and 1.11x respectively in FY 2018 depicts adequacy.

Firm's Financial Performance

Key Parameters	Units	FY 2018	FY 2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	285.54	253.80
EBITDA	₹ Cr	6.40	5.94
PAT	₹ Cr	0.63	0.60
Tangible Net worth	₹ Cr	25.00	21.89

TOL/TNW	Times	1.42	1.08
Current Ratio	Times	1.54	1.78

The firm has achieved revenue of Rs. 398.42 crores in FY19 (Provisional).

Rating History for the last three years

S.No	Facilities	Current Rating (May 2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
1.	Fund Based	Long Term	28.50	BWR BBB- (Pronounced as BWR Triple B minus) Outlook: <u>Stable</u> Reaffirmed	NA	NA	NA
3.	Non Fund Based	Short Term	6.70	BWR A3 (Pronounced as BWR Single A three) Reaffirmed	NA	NA	NA
Total			35.20	₹ Thirty Five Crores and Twenty Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)- Never\

Any other information: NA

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)
- [Short Term Debt](#)



For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
Satvinder Kumar Gakhar Associate Director-Ratings	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.