



Press Release

Mangalam Alloys Ltd

November 22, 2024

Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long term Bank Facilities	152.25	IVR BBB /Negative Outlook (Pronounced as IVR Triple B with Negative Outlook)	IVR BBB /Stable Outlook (Pronounced as IVR Triple B with stable Outlook)	Re-affirmed with change in outlook	Simple
Short Term Bank Facilities	22.36	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Re-affirmed	Simple
Total	174.61	(Rupees One Hundred Seventy Four Crores and Sixty One Lakhs Only)			

Details of Facilities/Instrument are in Annexure 1

Facility wise lender details are at Annexure 2

Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has re-affirmed the long term rating to IVR BBB with a Negative outlook & re-affirmed the short term rating as IVR A3+ for the bank loan facilities of Mangalam Alloys Ltd .

The ratings continue to derive strength from the experienced management team with long track record in the steel industry, improved financial performance in FY24(A) (April 01, 2023 – March 31, 2024), comfortable financial risk profile, and favourable demand outlook for the steel industry. However, these ratings strengths are partially constrained due to the deterioration in the financial performance of the company in H1FY25, working capital-intensive nature of operations, low profit margins, volatility in the prices of raw materials and finished goods, and high competition and cyclical nature in the steel industry.



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The 'Negative' outlook is due to deterioration in profitability parameters of the company in H1FY25.

IVR has principally relied on the standalone audited financial results of Mangalam Alloys Limited up to FY24(A) & H1FY25, Two years projected financials till FY26, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

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

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

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 and later on listed in SME platform on Oct 04, 2023. 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.



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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.

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 25% 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.

Improved financial performance in FY23 & FY24; however the scale of operations continues to remain moderate in H1FY25

The operating income of the company marginally decreased by ~0.50% YoY from INR 309.36 crore in FY22 to INR 302.92 crore in FY23 and remained constant at Rs. 304.55 Crore in FY24. EBITDA in absolute terms, however, increased at a lower rate by ~18.83% YoY from INR 26.87 crore in FY22 to INR 31.93 crore in FY23 and stood at Rs. 32.49 crore in FY24, primarily because of increased raw material costs. PAT increased from INR 5.08 crore in FY22 to INR 10.15 crore in FY23 and declined to Rs. 11.48 crore in FY24. As a consequence of the decline in profits, the gross cash accruals of the company decreased from INR 19.71 crore in FY23 to INR 14.09 crore in FY24. The operating margin improved from 8.69% in FY22 to 10.54% in FY23 and to 10.67% in FY24; PAT margin improved from 1.64% in FY22 to 3.29% in FY23 and to 3.76% in FY24. The topline of the company increased by ~40% YoY from INR 140.47 crore in H1FY24 to INR 197.59 crore in H1FY25 while the EBITDA decreased by



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22.60% YoY from INR 20.44 crore in H1FY24 to INR 15.82 crore in H1FY25. EBITDA margin deteriorated from 14.55% in H1FY24 to 8.01% in H1FY25.

Moderate gearing and debt coverage indicators

The capital structure of the company remained moderate with adjusted overall gearing and long debt equity of 1.11x and 0.60x as on 31st March 2024. The financial risk profile of the company is moderate, marked by healthy net worth, debt protection metrics and debt coverage indicators. The adjusted net worth of company stood at Rs.123.18 Crores as on 31 March 2024.

Key Rating Weaknesses

Large working capital requirements:

The company's cash conversion cycle is of more than 175 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. The debtor days and inventory days were at 91 days and 174 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.

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 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 bars manufacturing is highly fragmented and has very low entry barrier which makes it a very competitive industry. Both organized as well as the



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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 Methodology for Manufacturing Sector entities](#)

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

[Criteria for assigning rating outlook](#)

[Policy on default recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity position of the Company remains adequate as cash accruals are expected to remain adequate to meet the repayment obligations. Further, the company had gross cash accruals of INR 18.85 Crore in FY24 against the current maturity of long-term borrowing of Rs. 15.82 Crore in FY23. The overall utilisation of the fund-based limits stood moderate at 88.92% during the last 11 months ended Feb 2024. The current ratio stood at 1.48 times as on 31st March 2024. Cash and Cash equivalent amounted to INR 0.03 Crore.

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 and later on listed in SME platform on Oct 04, 2023. 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)	
	31-03-2023	31-03-2024
	Audited	Audited



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For the year ended* As on	31-03-2023	31-03-2024
Total Operating Income	302.92	304.55
EBITDA	31.93	32.49
PAT	10.15	11.48
Total Debt	139.75	136.78
Tangible Net worth*	71.43	109.43
EBITDA Margin (%)	10.54%	10.67%
PAT Margin (%)	3.29%	3.76%
Overall Gearing Ratio (x)	2.15x	1.38x
Interest Coverage Ratio	1.90x	1.78x

Status of non-cooperation with previous CRA : BWR Ratings in its press release dated May 08, 2024 has continued to place the rating under Issuer Not Cooperating category due to non-availability of information.

Any other information: Nil

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2024-25)				Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2024-25 Dated : May 01, 2024	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23 Dated : March 07, 2023	Date(s) & Rating(s) assigned in 2021-22
1	Term Loan	Long Term	44.25	IVR BBB /Negative Outlook (Pronounced as IVR Triple B with Negative Outlook)	IVR BBB /Stable Outlook (Pronounced as IVR Triple B with stable Outlook)	-	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B Minus with stable Outlook)	-
2	Cash Credit	Long Term	108.00	IVR BBB /Negative Outlook (Pronounced	IVR BBB /Stable Outlook (Pronounced	-	IVR BBB- /Stable Outlook (Pronounced as IVR Triple B	-



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		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2024-25 Dated : May 01, 2024	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23 Dated : March 07, 2023	Date(s) & Rating(s) assigned in 2021-22
				as IVR Triple B with Negative Outlook)	as IVR Triple B with stable Outlook)		Minus with stable Outlook)	
3.	EPC/PCFC	Short Term	10.00	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	-	IVR A3	-
3	BG/LC/Forward Cover	Short Term	12.36	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	-	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).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit



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ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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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			April 2034	44.25	IVR BBB /Negative Outlook (Pronounced as IVR Triple B with Negative Outlook)
Long Term Bank Facilities – Cash Credit			-	108.00	IVR BBB /Negative Outlook (Pronounced as IVR Triple B with Negative Outlook)
Short Term Bank Facilities – EPC/PCFC			-	10.00	IVR A3+ (IVR A Three Plus)
Short Term Bank Facilities – LC/BG			-	12.36	IVR A3+ (IVR A Three Plus)



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Annexure 2: List of companies considered for consolidated analysis: None

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Mangalam-Alloys-22nov24.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 www.infomerics.com

