

## Mangalam Ventures Limited

December 12, 2022

### Ratings

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	12.00	CARE BBB-; Stable; ISSUER NOT COOPERATING* (Triple B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	2.00	CARE A3; ISSUER NOT COOPERATING* (A Three ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>14.00</b> <b>(₹ Fourteen Crore Only)</b>		

Details of facilities in Annexure-1.

### Detailed rationale and key rating drivers

Mangalam Ventures Limited (MVL) has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE Rating Ltd.'s rating on MVL's bank facilities will now be denoted as CARE BBB-/ CARE A3; ISSUER NOT COOPERATING\*.

**Users of this rating (including investors, lenders, and the public at large) are hence requested to exercise caution while using the above rating(s).**

### Detailed description of the key rating drivers

At the time of last rating on November 03, 2021, the following were the rating strengths and weaknesses (updated for the information available from Annual Report 2021-22:

#### Key rating strengths

**Long track record of operations with experienced promoters:** MVL derives established track record of operations with more than two decades of existence in the readymade garments industry. The current directors of the company Mr. Vinod Ahuja, Mr. Sharat Jain and Mr. Ramakanth Shivasamb Hegde are professionals and having average experience of more than two decades in the industry and looks after the overall operations of the company. Over the years of existence in the market, the directors have established strong marketing connects in the market. Moreover, the directors are also assisted with experienced second line of management having reasonable experience in their respective fields.

**Moderate albeit improved profitability margins:** During FY22, the PBILDT margin of the company has improved by 728 bps (from 11.23% in FY21 to 18.51% in FY22) on account of lower input cost coupled with improved realization. The cost of raw material consumption as a percentage of TOI decreased from 42.30% of ToI in FY21 to 40.40% of ToI in FY22.

**Comfortable capital structure and moderate debt coverage indicators:** MVL's capital structure continued to remain comfortable; albeit some moderation witnessed as on March 31, 2022. The overall gearing deteriorated to 0.52x as on March 31, 2022 (vis-à-vis 0.38x as on March 31, 2021), which is primarily on account of increase in working capital utilization by Rs.6.82 crore (from Rs.9.77 crore as on March 31, 2021, to Rs.16.59 crore as on March 31, 2022) in line with improved scale of operation. On the other hand, the tangible networth has also increased by 41.65% from Rs.26.37 crore as on March 31, 2021, to Rs.37.36 crore as on March 31, 2022. Furthermore, led by improved profitability margins the debt coverage indicators remained stable despite higher debt as indicated by TD/GCA of 1.61x in FY22 (vis-à-vis 1.88x in FY21) and interest coverage improving to 23.73x in FY22 (vis-à-vis 14.67x FY21).

#### Key rating weaknesses

**Modest scale of operations; albeit growth in FY22:** The TOI of company improved by 33% from Rs.64.17 crore in FY21 to Rs.85.23 crore in FY22, primarily led by improved demand for its products (Ready Made Garments) resulting into better realization. During H1FY23 (refers to the period April 1, 2021, to September 30, 2022), the company has recorded net sales of Rs.80 crore (vis-à-vis Rs.40.83 crore during 5MFY22 (refers to the period April 1, 2021, to September 30, 2022)). The tangible networth of the company also remained moderate albeit increased on y-o-y basis led by accretion of profits to reserve; it stood at Rs.37.36 crore as on March 31, 2022 (vis-à-vis Rs. 26.37 crore as on March 31, 2021). Despite improvement, the scale as well as the networth base continue to remain modest.

**Presence in highly competitive and fragmented industry:** Owing to presence of large numbers of players operating in the manufacturing and exports of readymade garment industry with low degree of product differentiation, the industry remained highly competitive and fragmented in nature limiting bargaining power of players of like MVL. Moreover, the increase in the competition from other emerging markets in the Asia also puts additional pressure on the revenue and profitability.

**Susceptibility of profit margins to the volatility in the foreign exchange:** MVL continues to earn significant portion of revenue from exports, hence, its margins remain exposed to volatility in foreign exchange rate. However, the risk is partially mitigating due to hedging policies adopted by the company through booking forward contract at the time of the confirmation of

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

the orders thereby mitigating the risk to a greater extent. Nevertheless, the foreign exchange fluctuation risk continues to persist due to timing differences. During FY22, MVL booked forex gain of Rs.2.78 crore (as compared to forex gain of Rs.0.69 crore in FY21).

**Working capital intensive nature of operations:** The operations of the company continue to be working capital intensive due to majority funds blocked in inventory. Inventory holding remained high at 99 days in FY22 (vis-à-vis 66 days in FY21) and in absolute terms Inventory was Rs.26.75 crore in FY22 as against Rs.10.43 crore in FY21, the higher inventory as on 31st March 2022, was mainly to cater the large orders to be executed in subsequent months, also procurement of raw material in advance to avoid price fluctuation in raw materials and also processing time required to complete the bulk quantity orders received from export market. Further, the collection period has deteriorated to 53 days in FY22 (vis-à-vis 37 days in FY21) due to execution of large orders towards the end of the FY22. On the other hand, average creditor's period has also remained low at 29 days in FY22 (vis-à-vis 27 days in FY21, due to prompt payment policy adopted by the management to avail cash discounts from its suppliers. Hence, the working capital cycle deteriorated and remained high at 124 days in FY22 (vis-à-vis 76 days in FY21). Also, the CC utilization was around 80% on an average for the last 12 months ending October 2022 as per discussion with banker.

**Customers and supplier concentration risk:** During FY21 top 5 customers contributed 96.15% (vis-à-vis 97.24% in FY20) of TOI. Out of the above five, one Canada based customer namely Mark's Work Warehouse Ltd., constituted 87.44% in FY21 (vis-à-vis 87.14% in FY20 including INA International subsidiary of Mark's Work Warehouse Ltd.). However, the clientele of MVL continues to be renowned & includes Mark's Work Warehouse Ltd., (Canada) Woolrich Inc., (Canada) Bass Pro (USA) and Sportif USA Inc. and others thereby indicating customer concentration risk. Similarly, during FY21, top 5 suppliers contributed to 77.47% (vis-à-vis 77.64% in FY20) of the total raw materials namely yarn & fabrics. Out of the above five, three suppliers namely Chenab Textile Mills, Grospinz Fabz (Punjab) Ltd., Delhi Yarn Agencies, constituted 59.69% in FY21 (vis-à-vis 60.22% in FY20) of total purchases. However, due to better quality of fabrics MVL continues to source primarily from them to meet the requirement of its branded customers.

**Analytical approach:** Standalone

#### Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial ratios – Non Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Criteria on Assigning 'Outlook' or 'Credit Watch' to Credit Ratings](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology - Cotton Textile Manufacturing](#)

#### About the company

Incorporated in 1993, Mangalam Ventures Limited (MVL) is currently managed by Mr. Vinod Ahuja, Mr. Sharat Jain and Mr. Ramakanth Shivasamb Hegde and engaged in the manufacturing and export of readymade knitted garments primarily to Canada, and USA. Furthermore, the company manufactures & supplies its products includes Knitwear Garments, Cotton Knitted Fabrics, Cotton Knitted Processed Fabrics.

MVL has its manufacturing facility is located at Faridabad, Uttar Pradesh (having installed capacity of 21 lakh pieces per annum as on March 31, 2021 wherein inhouse dyeing, cutting, stitching and packaging activities are being carried out by the company). During FY22, MVL earned 90.46% of its total revenue through exports (vis-à-vis 92.91% in FY21) and the balance in the domestic market. The company is approved by Worldwide Responsible Accredited Production (WRAP) and Business Social Compliance Initiative (BSCI) and also accredited from Control Union Certifications for producing 100% Organic and Organic blend garments.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	64.17	85.23	80.00
PBILDT	7.20	15.77	NA
PAT	4.26	10.98	NA
Overall gearing (times)	0.38	0.52	NA
Interest coverage (times)	14.67	23.73	NA

A: Audited; UA: Unaudited

**Current year performance:** The company has reported a TOI of Rs.80 crore in H1FY23.

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Not applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated facilities:** Detailed explanation of covenants of the rated facilities is given in Annexure-3

**Complexity level of various facilities rated for this company:** Annexure-4

**Annexure-1: Details of facilities**

Name of the Facility	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	12.00	CARE BBB-; Stable; ISSUER NOT COOPERATING*
Fund-based - ST- Foreign Currency Demand Loan		-	-	-	1.50	CARE A3; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC		-	-	-	0.50	CARE A3; ISSUER NOT COOPERATING*

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	12.00	CARE BBB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable (03-Nov-21)	1)CARE BBB-; Stable (23-Mar-21)	1)CARE BBB-; Stable (25-Mar-20)
2	Non-fund-based - ST-BG/LC	ST	0.50	CARE A3; ISSUER NOT COOPERATING*	-	1)CARE A3 (03-Nov-21)	1)CARE A3 (23-Mar-21)	1)CARE A3 (25-Mar-20)
3	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (23-Mar-21)	1)CARE BBB-; Stable (25-Mar-20)
4	Fund-based - ST- Foreign Currency Demand Loan	ST	1.50	CARE A3; ISSUER NOT COOPERATING*	-	1)CARE A3 (03-Nov-21)	1)CARE A3 (23-Mar-21)	1)CARE A3 (25-Mar-20)

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated facilities:** Not applicable**Annexure-4: Complexity level of various facilities rated for this company**

Sr. No.	Name of Facility	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST- Foreign Currency Demand Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

**Annexure-5: Bank lender details for this company**To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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### About us:

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