

Mangalam Ventures Limited

June 08, 2023

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	12.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BBB-; Stable;
Short Term Bank Facilities	2.00	CARE A4+; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE A3;

Details of facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. had, vide its press release dated December 12, 2022, placed the rating(s) of Mangalam Ventures Ltd. (MVL) under the 'issuer non-cooperating' category as MVL had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. MVL continues to be non-cooperative despite repeated requests for submission of information through phone calls and e-mails dated May 23, 24, & 25, 2023. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

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

The revision in the rating is pursuant to Securities and Exchange Board of India (SEBI)'s circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dated January 3, 2020, regarding 'Strengthening of the rating process in respect of Issuer Non-Cooperation (INC) ratings. SEBI has in this circular mentioned that "If an issuer has all the outstanding ratings as non-cooperative for more than 6 months, then the CRA shall downgrade the rating assigned to the instrument of such issuer to non-investment grade with INC status."

Analytical approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers:

At the time of last rating on December 12, 2022, the following were the rating strengths and weaknesses.

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 network 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 network 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 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

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

(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.

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).

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

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

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Cotton Textile](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Textiles	Textiles & Apparels	Garments & Apparels

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 NA: Not available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

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

Complexity level of various facilities rated: Annexure-4

Lender details: Annexure-5

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 BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-Foreign Currency Demand Loan		-	-	-	1.50	CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC		-	-	-	0.50	CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

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 2023-2024	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
1	Fund-based - LT-Cash Credit	LT	12.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable; ISSUER NOT COOPERATING* (12-Dec-22)	1)CARE BBB-; Stable (03-Nov-21)	1)CARE BBB-; Stable (23-Mar-21)
2	Non-fund-based - ST-BG/LC	ST	0.50	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3; ISSUER NOT COOPERATING* (12-Dec-22)	1)CARE A3 (03-Nov-21)	1)CARE A3 (23-Mar-21)
3	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (23-Mar-21)
4	Fund-based - ST-Foreign Currency Demand Loan	ST	1.50	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3; ISSUER NOT COOPERATING* (12-Dec-22)	1)CARE A3 (03-Nov-21)	1)CARE A3 (23-Mar-21)

*Issuer did not cooperate; based on best available information.

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated facilities: Not applicable

Annexure-4: Complexity level of the various facilities rated

Sr. No.	Name of the 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: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the 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 for any clarifications.

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About us:

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Disclaimer:

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