

## Mangalam Ventures Limited

June 19, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	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 BB+; 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 A4+;

Details of instruments/facilities in Annexure-1.

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

### Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) vide its press release dated June 08, 2023, has placed the rating(s) of Mangalam Ventures Limited. (MVL) under the 'Issuer Non-Cooperating' category, as MVL had not paid 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 emails dated May 06, 2024, May 07, 2024, and June 10, 2024. In line with the extant SEBI guidelines, CARE Ratings has reviewed the rating based on best available information, which in CARE Ratings' opinion is not sufficient to arrive at a fair rating.

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

Revision in ratings to bank facilities of MVL considers non-availability of requisite information.

### Detailed description of key rating drivers

At the time of last rating on June 08, 2023, the following were rating strengths and weaknesses considered (updated from information available from Annual Report obtained from ROC for FY23).

#### Key rating weaknesses

##### Modest scale of operations; despite growth in FY23

The company's TOI improved by 49.15% to ₹127.12 crore in FY23 compared to ₹85.23 crore in FY22. Despite improvement, the scale remains modest.

##### Presence in highly competitive and fragmented industry

Owing to presence of large numbers of players operating in manufacturing and exporting readymade garments, with low degree of product differentiation, the industry remained highly competitive and fragmented, limiting bargaining power of players such as MVL. Increase in the competition from other emerging markets in Asia also puts additional pressure on revenue and profitability.

##### Profit margins susceptibility to volatility in foreign exchange

MVL continues to earn a significant portion of revenue from exports, hence, its margins remain exposed to foreign exchange rate volatility. However, the risk is partially mitigating due to hedging policies adopted by the company through booking forward contract at the time of confirmation of orders, mitigating risk to a great extent. Foreign exchange fluctuation risk continues to persist due to timing differences.

#### Key rating strengths

##### Long track record of operations with experienced promoters

MVL derives established track record of operations with more than two decades in the readymade garments industry. Directors, Vinod Ahuja, Sharat Jain, and Ramakanth Shivasamb Hegde are professionals and possess experience of more than two decades in the industry, overseeing the company's operations comprehensively. Over the years, directors have established strong marketing connects in the market. Directors are also assisted with experienced second line of management, having reasonable experience in their respective fields.

<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.

### Moderate despite improved profitability margins

In FY23, the company's profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin improved by 316 bps (from 18.51% in FY22 to 21.67% in FY23). Cost of raw material consumption as a percentage of TOI decreased from 40.42% in FY22 to 38.84% in FY23.

### Comfortable capital structure and moderate debt coverage indicators

MVL's capital structure continued to remain comfortable as on March 31, 2023, evident from improved overall gearing to 0.27x as at the end of FY23 from 0.52x as at the end of FY22, which is primarily considering decrease in working capital utilisation by ₹3.69 crore (from ₹16.59 crore as on March 31, 2022, to ₹12.90 crore as on March 31, 2023). The tangible net worth increased from ₹37.36 crore as on March 31, 2022, to ₹56.43 crore as on March 31, 2023. As a result of improved profitability margins and reduced debt, debt coverage indicators showed improvement as indicated by total debt to gross cash accruals (TD/GCA) of 0.74x in FY23 (against 1.61x in FY22) and interest coverage improving to 31.53x (against 23.73x in FY22).

### Analytical approach: Standalone

### Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Cotton Textile](#)

[Short Term Instruments](#)

### About the company and industry

#### Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Consumer discretionary	Textiles	Textiles and apparels	Garments and apparels

Incorporated in 1993, MVL is managed by Vinod Ahuja, Sharat Jain, and Ramakant Shivasamb Hegde, and, is engaged in manufacturing and exporting readymade knitted garments primarily to Canada, and the USA. The company manufactures and supplies products including knitwear garments, cotton knitted fabrics, and cotton knitted processed fabrics.

MVL has its manufacturing facility at Faridabad, Uttar Pradesh (having installed capacity of 21 lakh pieces per annum as on March 31, 2021, where inhouse dyeing, cutting, stitching, and packaging are carried out by the company). The company is approved by Worldwide Responsible Accredited Production (WRAP) and Business Social Compliance Initiative (BSCI) and accredited by Control Union Certifications for producing 100% Organic and Organic blend garments.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	85.23	127.12
PBILDT	15.77	27.54
PAT	10.98	19.07
Overall gearing (times)	0.52	0.27
Interest coverage (times)	23.73	31.53

A: Audited UA: Unaudited; Note: these are latest available financial results

### Status of non-cooperation with previous CRA: Not Applicable

### Any other information: Not Applicable

### Rating history for last three years: Annexure-2

### Covenants of rated facility: Annexure-3

### Complexity level of instruments rated: Annexure-4

### Lender details: Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	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 last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	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
1	Fund-based - LT-Cash Credit	LT	12.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (08-Jun-23)	1)CARE BBB-; Stable; ISSUER NOT COOPERATING* (12-Dec-22)	1)CARE BBB-; Stable (03-Nov-21)
2	Non-fund-based - ST-BG/LC	ST	0.50	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4+; ISSUER NOT COOPERATING* (08-Jun-23)	1)CARE A3; ISSUER NOT COOPERATING* (12-Dec-22)	1)CARE A3 (03-Nov-21)
3	Fund-based - ST-Foreign Currency Demand Loan	ST	1.50	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4+; ISSUER NOT COOPERATING* (08-Jun-23)	1)CARE A3; ISSUER NOT COOPERATING* (12-Dec-22)	1)CARE A3 (03-Nov-21)

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

LT: Long term; ST: Short term

**Annexure-3: Detailed explanation of covenants of rated facilities:** Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	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 lender-wise details of bank facilities please [click here](#)

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

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### About us:

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### Disclaimer:

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