Mangalam Food Products

December 31,2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	19.19	CARE BB-; Stable	Assigned
Short Term Bank Facilities	40.00	CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to the bank facilities of Mangalam food products (MFP) is constrained on account of its thin profitability margins which are further susceptible to raw material prices and its stretched liquidity. The ratings are further constrained by partnership nature of constitution, leveraged capital structure weak debt coverage indicators.

Ratings, however, derive strength from long standing experience of promoters in the Agriculture-commodity business, established distributors network and moderate scale of operation.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained improvement in PBILDT (Profit before interest lease depreciation and tax) margin above 4%.
- Sustained improvement in scale of operations above Rs. 300 crore.
- Improvement in the liquidity with the low reliance in the external borrowing

Negative factors

- Deterioration in overall gearing beyond 7 times.
- Increase in working capital intensity resulting in elongation of the working capital cycle to more than 120 days.
- Any significant capital withdrawal impacting the solvency position of the firm.

Analytical approach: Standalone

Outlook: Stable

The stable outlook on the long-term rating reflects CARE Ratings' expectation that the firm will continue to benefit from established track record of partners in the food processing industry.

Detailed description of key rating drivers:

Key weaknesses

Thin profitability margins which are further susceptible to raw material prices and weak debt coverage indicators

MFP's profitability remained thin over the past three years, with a PBILDT margin ranging from 1% to 2.5% in last 3-4 years ended FY23. In FY24, the PBILDT margin was 2.5%, showing a year-on-year improvement of 119 basis points due to reduced overheads, better sales realization and higher manufacturing sales. With the moderate depreciation and interest and finance cost, profit after tax (PAT) margin remained low at 0.12% during FY24 (FY23:0.11%).

The GCA (Gross cash accruals) also remained low at Rs. 0.63 crore for FY24 (FY23: 0.74 crore). Key input of MFP is gram, moons and paddy, thus making its profitability highly sensitive to its price fluctuations since prices of these agriculture commodities are influenced by factors such as seasonality, monsoon conditions, and government policies.

With thin profitability, overall debt coverage indicators of the firm remained weak marked by total debt to GCA and PBILDT interest coverage of 64.76 (FY23: 55.92) and 1.16 (FY23: 1.36) respectively in FY24.

Leveraged capital structure along with low net worth base and partnership nature of constitution

The entity's capital structure stood leveraged, as marked by an overall gearing of 5.84x as on March, 31, 2024 (5.42x as on March, 31, 2023) due to high reliance on external debt. Its debt profile largely comprises external debt in the form of working capital and unsecured loan (USL) from partners. However, considering USL to the tune of Rs. 8.30 crore as quasi capital. the adjusted overall gearing remained at 2.12x as on March 31,2024.

The total outside liabilities to net worth stood high at 6.71x as on March 31, 2024 (6.02x as on March, 31, 2023). The net-worth base of the firm remains low at Rs. 6.97 crore for FY24. (Rs. 7.60 crore for FY23) which restricts its financial flexibility.

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

Additionally, being a partnership firm, MFP is exposed to inherent risk of partners' capital being withdrawn, and firm being dissolved upon the death/retirement/insolvency of partners which may affect financial flexibility of the firm. During FY24, partners have withdrawn capital of Rs. 0.86 crore (infusion of capital of Rs. 0.88 crore in FY23).

Key strengths

Experienced partners along with established operational track record in the food processing industry

MFP's is managed by four partners namely Rohit Agarwal, Rahul Agarwal, Priyanka Rohit Agarwal and Priyanka Rahul Agarwal with all of whom possess substantial experience in the food processing industry. With their long-standing presence in the agro-processing sector, the partners have cultivated strong relationships with both customers and suppliers. Additionally, the partners are supported by a team of experts.

Moderate scale of operations backed by low customer concentration risk

The Total Operating Income (TOI) experienced a compounded annual growth rate (CAGR) of 21.85% over the past five years, ending in FY24. In FY24, TOI decreased by 7% to Rs. 200.44 crore compared to FY23, owing to a y-o-y volume de-growth because of decline in trading sales of Paddy. In H1FY25, the firm has booked sales of Rs. 94.48 crore. The sales to top 5 customers remain low at 15% of TOI for FY24 (FY23: 20%) indicating lower customer concentration risk. However, the firm does not have any major repeat customers because of the fragmented nature of industry.

Liquidity: Stretched

Liquidity remains stretched, as marked by low cash and bank balance, low gross cash accruals and working capital intensive nature of business. As against the repayment of Rs. 1-1.6 crore for FY25-FY27, the firm is envisaged to generate cash accrual if Rs. 1-1.7 crore. The cash and bank balance remained low at Rs. 0.68 crore as on March 31,2024. (Rs. 2.14 crore as on March 31,2023), however cushion is available in the form of unutilized working capital borrowings. As on December 18, 2024 firm has sanctioned Cash credit of Rs. 16 crore and two warehouse receipt loan of Rs. 15 crore and Rs. 25 crore respectively, utilization of which remains at around 60% and 70-80% respectively. Cash flow from operations was positive at Rs. 4 crore for FY24. As of March 31, 2024, the current ratio stood at 1.15x (As on March 31,2023: 1.02X), while the quick ratio remained at 0.35x (As on March 31,2023: 0.34x).

Assumptions/Covenants; Not available

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

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

Madhya Pradesh based, Mangalam food Products (MFP) was incorporated on April 01,2013 for processing of pulses (Gram and moong). The manufacturing facility is located at Hoshangabad, Madhya Pradesh with an installed capacity of 25,000 metric tonnes per annum for Gram dal and 25,000 metric tonne per annum for moong dal. The firm is currently managed by 4 partners namely Rohit Agarwal, Rahul Agarwal, Priyanka Rohit Agarwal and Priyanka Rahul Agarwal. The firm sells it products under the brand name of "Blue star" and "Swarna shankh".

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	214.63	200.44	94.48
PBILDT	2.81	5.00	NA
PAT	0.24	0.23	NA
Overall gearing (times)	5.42	5.84	NA
Interest coverage (times)	1.36	1.16	NA

A: Audited UA: Unaudited; NA: Not Available; 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

Detailed explanation of covenants of rated instrument / 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	16.00	CARE BB-; Stable
Fund-based-Short Term	-	-	-	-	40.00	CARE A4
Term Loan-Long Term	-	-	-	April 2027	3.19	CARE BB-; Stable

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-Short Term	ST	40.00	CARE A4	-	-	-	-
2	Fund-based - LT-Cash Credit	LT	16.00	CARE BB-; Stable	-	-	-	-
3	Term Loan-Long Term	LT	3.19	CARE BB-; Stable	-	-	-	-

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/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-Short Term	Simple
3	Term Loan-Long Term	Simple

Annexure-5: Lender details

To view the 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 for clarifications.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Kalpesh Ramanbhai Patel Director **CARE Ratings Limited** Phone: 079-40265611 E-mail: kalpesh.patel@careedge.in Jignesh Trivedi Assistant Director **CARE Ratings Limited** Phone: 079-40265631 E-mail: jignesh.trivedi@careedge.in Utsavi Jigneshbhai Shah Analyst **CARE Ratings Limited** E-mail: Utsavi.Shah@careedge.in

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