

Mangalam Worldwide Limited

A REVIEW REPORT ON MANGALAM WORLDWIDE LIMITED IPO

IPO Details

Opening Date	June 30, 2022
Closing Date	July 04, 2022
Stock Exchange	NSE SME
Lot Size	1200 Shares
Issue Price	₹ 101 per share
Issue Size	64,93,200 Equity Shares
Application Amount	₹ 1,21,000

IPO Objective

- To meet the Working Capital Requirements
- General Corporate Purposes
- To meet the expenses of the Issue

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	1,56,74,274	87.04 %
Public	23,33,200	12.96%

Company Background

- Company was incorporated in the year 1995 as 'Temchem Exports Private Limited'. Later on it was changed to 'Hindprakash Exim Private Limited' in 2007 and thereafter in March 2022 it was converted to public limited company.
- It is engaged in manufacturing of Stainless Steel (SS) Billets and rolling of SS Flat Bars.
- Company also does the manufacturing of Stainless Steel (SS) Billets on job work basis and is also engaged in trading of steel - scrap, ferro alloys, etc.
- The company has two manufacturing unit, one at Halol (Unit I) and other one at Changodar (Unit II) with a capacity of 66,000 MT p.a. and 90,000 MT p.a. respectively.
- As on the date of filing this prospectus, the company had a total of 137 employees.

Promoter of the Company

1. Mr. Vipin Prakash Mangal
2. Mr. Chanakya Prakash Mangal
3. Mr. Chandragupt Prakash Mangal

Table of Contents

1	Company Overview.....
2	Industry Charts.....
3	Investment Overview.....
4	Promoter & Promoters' Profile.....
5	Financial Analysis.....
6	Key Risk Factors.....
7	Track Record of Lead Manager.....
8	Recommendation.....
9	Disclaimer.....

Company Overview

Mangalam Worldwide Limited was established in the year 1995 as 'Temchem Exports Private Limited'. Later on it was changed to 'Hindprakash Exim Private Limited' in 2007 and thereafter in March 2022 it was converted to public limited company. The company is engaged in the manufacturing of various types of Stainless Steel grades in its manufacturing units located at Halol and Chandogar in Gujarat. Company is also engaged in manufacturing Stainless Steel Billets on job work basis and also carries out the trading business.

Analysis

The company has a good track record of existence and has been in business for more than two decades. The company has been into the stainless steel business and for that purpose it has two manufacturing units one at Halol (Unit 1) and the other one at Chandogar (Unit 2).

In Unit 1 the company produces various grades of Stainless Steel Billets viz. 200 series, 300 series, 400 series and Special chemical composition grades steel like 17/4 PH, Duplex and Super Duplex Steel. Unit 1 has a capacity of 66,000 MT p.a. and has a total area of around 28,328 square meters.

In Unit 2 the company produces SS flat bars with an operating capacity of 99,000 MT p.a. Unit 2 has a total area of around 3,821 square meters. The raw materials required for Unit II is produced in Unit 1 in the form of SS Billets of 200 grade.

Stainless Steel has been a good to go product for various industry sectors from a long time. The applications of stainless steel can be seen in a variety of market segment such as Household and Kitchen appliances, Tubes and Pipes, Architecture and Decorative product segment etc.

Keeping all these in mind, it can be said that the company has been into a niche product segment whose demand can be seen in numerous industries. The company also has a well-established business and has been majorly covering Rajasthan, Gujarat, National Capital Region, Uttar Pradesh and Maharashtra. Company has also started exporting goods to Brazil showing the intention of expansion. In Unit 1 the company is operating at 66.26% and in Unit 2 the company is operating at 48.62% of its total utilization highlighting that the company still has enough capacity to utilize and the

chances of supply not being delivered is low provided that the manpower and machineries are operated efficiently.

Industry Charts

Exhibit 1: Infographics on total crude steel production from FY 18 to FY 22 (till Jan)

Total Crude Steel Production (Mn Tonnes)

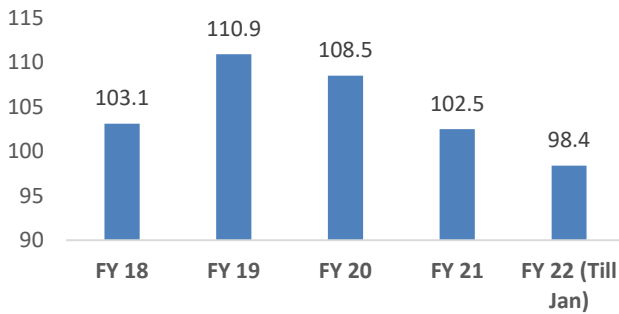


Exhibit 2: Per capita consumption of Steel grew at a CAGR of 3.94% from FY 16 to FY 20

Per capita consumption of Finished Steel (In kgs)

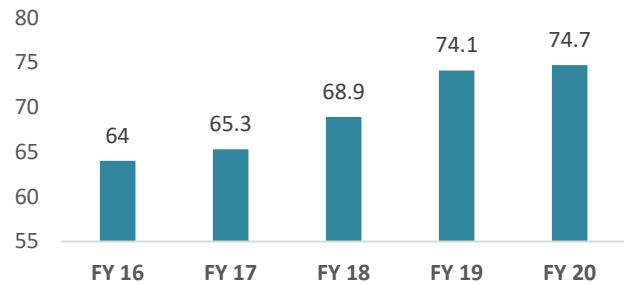


Exhibit 3: Infographics on Consumption of Finished Steel from FY 18 to FY 22 (till Jan)

Consumption of Finished Steel (Mn tonnes)

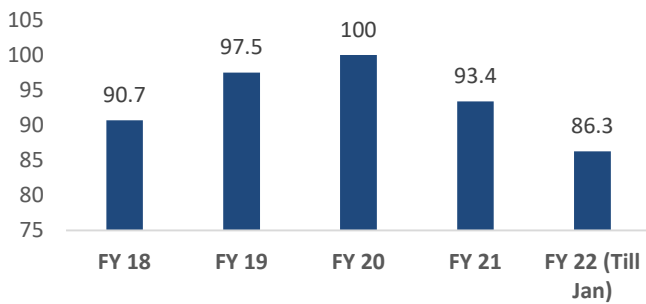
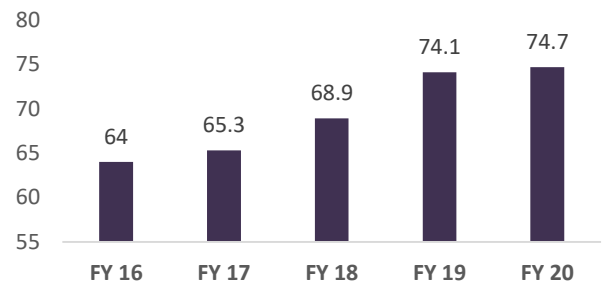


Exhibit 4: Finished Steel Exports grew at a CAGR of 3.94% from FY 18 to FY 22 (till Jan)

Finished Steel Exports (Mn Tonnes)



(Source: ibef.org)

Investment Overview

Steel Industry

As of October 2021, India was the world's second-largest producer of crude steel, with an output of 9.8 MT. In FY22 (till January), the production of crude steel and finished steel stood at 98.39 MT and 92.82 MT, respectively. In FY22, crude steel production in India is estimated to increase by 18%, to reach 120 million tonnes, driven by rising demand from customers. The growth in the Indian steel sector has been driven by the domestic availability of raw materials such as iron ore and cost-effective labour. Consequently, the steel sector has been a major contributor to India's manufacturing output.

The Indian steel industry is modern, with state-of-the-art steel mills. It has always strived for continuous modernisation of older plants and up-gradation to higher energy efficiency levels. The Indian steel industry is classified into three categories - major producers, main producers and secondary producers.

India's finished steel consumption is anticipated to increase to 230 MT by 2030-31 from 86.3 MT in FY22 (till January). The industry is witnessing consolidation of players, which has led to investment by entities from other sectors. The ongoing consolidation also presents an opportunity to global players to enter the Indian market.

In October 2021, the government announced guidelines for the approved specialty steel production-linked incentive (PLI) scheme. Under the Union Budget 2022-23, the government allocated Rs. 47 crores (US\$ 6.2 million) to the Ministry of Steel.

(Source: ibef.org)

Addressable Market for Mangalam Worldwide Limited

The company is currently operating in the state of Gujarat and is catering mainly to domestic states which majorly includes Rajasthan, Gujarat, National Capital Region, Uttar Pradesh and Maharashtra. The company has also targeted the foreign market and has recently exported steel to Brazil. So it seems that the company looks for expansion and can start covering other parts of India and can target other foreign countries as well in the future.

Competition

The steel industry in India is highly competitive with many small and large players in the market. The company is operating in an environment where the customers have higher bargaining power and price becomes the main factor along with the quality. The company faces competition from its peers which may have one or more division of its business. Also the company has to deal with the brand and reputation which some large companies has already built for themselves.

Peer Analysis

As Mentioned in the prospectus, the company has only two peer companies viz. Shah Alloys Limited and India Steel Works Limited. A comparison of the same has been depicted in the table below –

Company	Mangalam Worldwide Limited	Shah Alloys Limited	India Steel Works Limited
Net Profit (INR Cr)	12.31	82.11	-19.81
EBITDA (INR Cr)	21.91	143.6	-3.21
Return on Capital Employed	20.35%	185.51%	-3.31%
Return on Equity	4.75%	223.91%	-14.65%
EPS (INR)	9.20	41.00	-1.00
P/E* (Times)	10.98	1.78	-

***P/E has been calculated as on 29/06/2022**

The peers have been identified on the basis of Small and Medium Scale Enterprises. The peers are not consistent with their performances where one has performed exceptionally well while the other has performed very poor. Considering these, peers data might not show the actual picture and one should be aware of the fact that there are many large players doing very well in the industry and also offering the products similar to those of Mangalam Worldwide Limited.

Promoters' Profile

Mr. Vipin Prakash Mangal



- **Mr. Vipin Prakash Mangal** is the Promoter and Chairman of the Company.
- He is having more than 35 years of experience in manufacturing and trading of various commercial commodities and affiliated consultancy services.
- He is also having vast experience in business management, formulation of business strategies, planning and implementation.
- He holds Bachelor's degree in Commerce from University of Ajmer.

Mr. Chanakya Prakash Mangal



- **Mr. Chanakya Prakash Mangal** is the Promoter and Managing Director of the Company.
- He has more than 8 years of experience in operations, accounts & finance and administration.
- He holds Bachelor's degree in Commerce from Gujarat University.
- He plays key role in administration of company.

Mr. Chandragupt Prakash Mangal



- **Mr. Chandragupt Prakash Mangal** is the Promoter and Managing Director of the Company.
- He holds degree in Supply Chain Management from Kelley School of Business, Indiana University and also holds level II badge in CFA from CFA Institute.
- He is having more than 6 years of experience in operations, finance, marketing and administration.
- He looks after the manufacturing units of company

Analysis on the Company's Promoter and Board of Directors

Mr. Vipin Prakash Mangal is one of the Promoters and Chairman of the Company. He has more than 35 years of experience in manufacturing and trading of various commercial commodities and affiliated consultancy services. He has been looking after the management, business planning, formulation of business strategies of the company all these years. His experience in the business is very vital for the company.

Mr. Chanakya Prakash Mangal is also one of the Promoters and Managing Director of the company. He has a Bachelor's Degree and has more than 8 years of experience in operations, accounts & finance and administration. He mainly looks after the administrative department of the company.

Mr. Chandragupt Prakash Mangal is also one of the Promoters and Managing Director of the company. He holds degree in Supply Chain Management from Kelley School of Business, Indiana University and also holds level II badge in CFA from CFA Institute. He has 6 years of experience in operations, finance, marketing and administration

Looking at the management, it is clearly evident that the company is a family runned business. Out of the promoters, Mr. Vipin Prakash Mangal has been associated with the company since inception and has been the key person in formulating the business policies, strategies and making tactical decisions. Also the other two promoters are in their mid-20's and already have more than 5 years of experience suggesting that they have been involved in their family business from quite an early age; however, they are not involved in strategy formation of the company. So in coming times, it is believed that the company would be handled by Mr. Vipin's sons and therefore he has to guide them thoroughly in the coming times so that they can handle the business efficiently in such a competitive market.

The independent directors of the company are also experienced and well educated and can be a good driving force for the company.

To conclude, the long-term future of the company depends upon the sons of Mr. Vipin but in near future, Mr. Vipin has to take necessary decisions for the company and has to properly train the upcoming generation quite deeply about the business. The management outlook therefore looks neutral.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st Mar, 2022
Profit and Loss		
Revenue from operation	30,192.91	52,302.96
Other income	139.40	1,045.00
Total Revenue	30,332.31	53,347.96
Expenses	29,751.78	51,156.62
Depreciation and Amortisation Cost	1.85	120.17
Finance Cost	221.34	218.26
Total Expenses	29,974.97	51,495.05
PBT	357.34	1,852.91
EBITDA	580.53	2,191.34
EBITDA Margin	1.92%	2.25%#
Net Profit	265.34	1,230.62
Net Profit Margin	0.88%	0.41%#
Balance Sheet		
Total Borrowings	1,746.80	4,691.86
Net Worth	1,290.58	4,547.57
Fixed Assets	140.08	5,035.46
Net Working Capital	518.37	-546.76
Financial Measures		
Inventory Turnover Ratio	9.85	16.05
Receivables Turnover Ratio	28.59	41.82
Payables Turnover Ratio	9.52	24.12
Fixed Assets Turnover Ratio	215.54	10.39
Return on Capital Employed	44.75%	20.35%
Return on Equity	20.56%	4.75%
Debt-Equity Ratio	1.35	1.03

The margins have been calculated removing the effect of gain from investment which is non-operating income and is not likely to form a part of income in future.

(The data has been taken and calculated from the financials given in the prospectus)

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The EBITDA of the company has grown from Rs. 580.53 lacs in 2021 to 2,191.34 lacs in 2022 growing at a CAGR of 277%. The EBITDA margin up to 2022 was 4.19% from 1.92% in 2021. The EBITDA of the company includes Gain from Sales of Investment of Rs. 1,015.67 lacs. If we remove this, the EBITDA margin is 2.25% in FY 22, showing a decent growth in EBITDA margin.

Net Profit

The net profit of the company has grown from Rs. 265.34 lacs in 2021 to Rs. 1,230.62 lacs in 2022 growing at a CAGR of 364%. The net profit margin has grown from 0.88% in 2021 to 2.35% in 2022. But again like EBITDA, the net profit includes non-operating income of 1,015.67 lacs. If we remove the effect of non-operating income, the net profit margin comes down to 0.41% showing a decrease of more than 50% in margin.

Finance Cost.

The company have finance cost majorly on commercial vehicle loan and short term loan taken from bank for financing the working capital requirements of the company

Financial Measures/Ratios

The financial ratios of the company have not shown good strength in the recent year.

RoCE of the company in FY 22 was 20.35% vs 44.75% in FY 21 despite increase in the operating margins. The reason for this fall can be attributed to new capital employed for acquiring the assets of around Rs. 5,015.58 lacs. Also the ratio has been calculated after removing the effect of non-operating income.

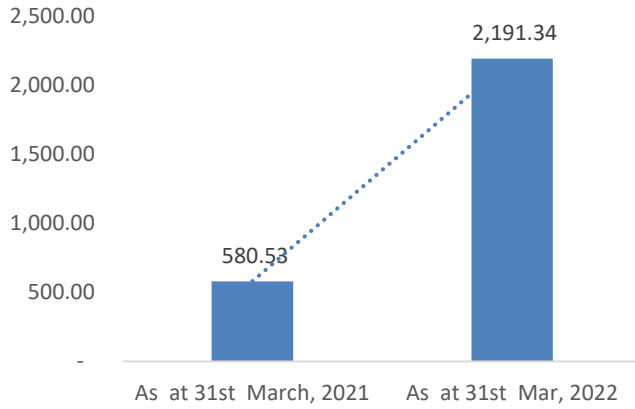
Return on Equity (ROE) of the company was 4.75%. The same can be set forward with similar assumptions as that of RoCE.

The company has been effectively managing its turnover ratios over the years which can be evident from the table depicted above.

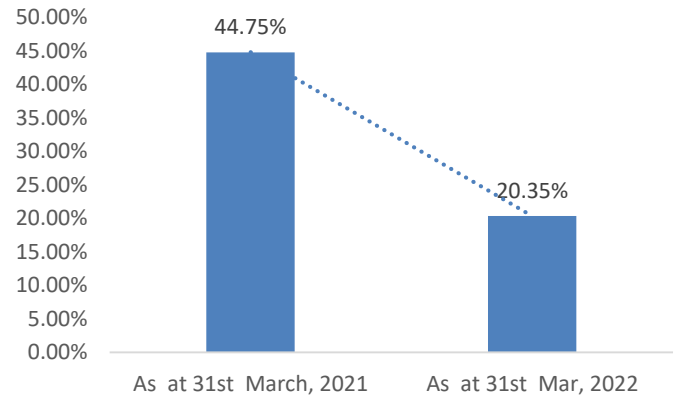
The company has debt-equity ratio of around 1.03 mainly due to vehicle loan and Cash Credit availed from bank. The ratio is expected to fall in the near future as the company would raise equity capital through IPO and also repay its vehicle loan.

Financial Graph

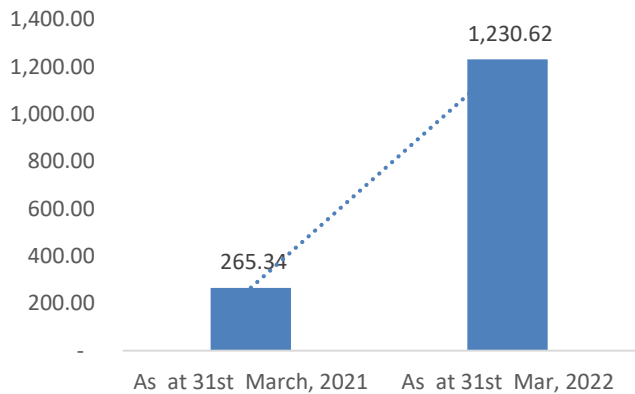
EBITDA (In Lacs)



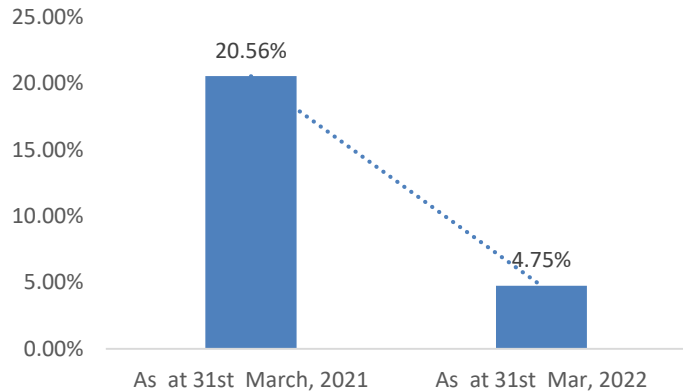
Return on Capital Employed



Net Profit (In Lacs)



Return on Equity



Key Risk Factors

1. Company and Group Company are involved in certain litigations including tax related litigations totalling to an amount of Rs. 18.27 crores, which if determined against them, can affect financial conditions of the company.
2. The company is also dependent on few suppliers making the bargaining power of suppliers higher than the company.
3. Company deals in a product segment with high price fluctuations and any fluctuation against the company could result in financial loss.
4. The company has made a provision for gratuity which requires certain assumptions. If the assumptions go against the company, it may end up paying more than estimated. Also the funding status is unfunded.

Track Record of Merchant Banker/Lead manager

The lead manager to the issue is Beeline Broking Limited and the previous issue details have been taken from the prospectus. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times –

Company	Issue Size (In Cr)	Issue Closing Date	IPO Price/share (INR)	CMP# (INR)
Axita Cotton Limited	10.512	January 10, 2019	61.00	230.15
Chandra Bhagat Pharma Limited	10.200	February 14, 2020	51.70	101.60
Laxmi Goldorna House Limited	8.280	April 16, 2020	15.00	15.95
Sigma Solve Limited	4.955	October 19, 2020	46.00	595.45
MRP Agro Limited	3.240	February 18, 2021	39.75	54.05
Abhishek Integrations Limited	4.950	June 21, 2021	40.00	24.15
Walpar Nutritions Limited	6.600	July 13, 2021	59.95	37.85
Quadpro Ites Limited	14.100	September 30, 2021	19.80	8.60
D.K. Enterprises Global Limited	7.992	October 22, 2021	42.00	38.15
Kotyark Industries Limited	11.261	November 02, 2021	51.00	281.40
Samor Reality Limited Reality	8.060	November 26, 2021	63.00	62.40
Shashwat Furnishing Solutions Limited	2.511	May 04, 2022	45.00	40.90

#CMP is taken as on 28th June 2022

This is the 15th IPO of the Lead Manager, out of the last 10 listings, 3 opened at par, 3 at discount and rest at premium

Recommendation

The company has been into the business since 1995 showing good track record of existence. The company is into a niche product segment which has applicability in variety of industries. The business model of the company looks promising and has a positive outlook.

However, the company has not been able to generate enough profit margins and has been performing below the industry standards. Although the profit has shot up on the previous year but that was not related to pure operations of the business. The net profit margin has fallen and EBITDA margin although growing is not up to the mark. The company has done a good business with Revenue's point of view but has not been able to cut its cost showing a concerning picture.

The management of the company is currently dependent on Mr. Vipin, however, it seems the business in long future would be handled by his sons who currently are not directly looking after strategic business decisions.

Also the company has been listing at a P/E of 10.98 times but if we remove the effect of gains from non-operating items, the EPS comes to just around 1.61 and the P/E goes up to around 63 times.

Looking at the business it looked like a good investment in beginning but after looking at all other factors it looks like one should wait and watch the performance of the company over time and the business decisions it take.

It looks like a very risky investment and following the investing principle of not losing capital we would like to state that one should **avoid** applying in the IPO

Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.