

Mangalam Drugs and Organics Limited

Regd. Office : Rupam Building, 3rd Floor, 239 P. D'Mello Road, Near G. P. O. Mumbai - 400 001.

☎ 91-22-62616200 / 6300 / 8787 ☎ 91-22-62619090 • CIN : L24230MH1972PLC116413



REF: MDOL/CS-SE/2024-25/0036

January 16, 2025

To,
Listing Department
BSE Ltd
1st Floor, New Trade Wing,
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai – 400 001

Listing Department
National Stock Exchange of India Limited
“Exchange Plaza”, 5th Floor,
Plot No. C-1, Block G,
Bandra - Kurla Complex,
Bandra(E), Mumbai – 400 051

Scrip Code: 532637

Symbol: MANGALAM

Sub: Intimation of Credit Ratings assigned

Dear Sir/Madam,

In compliance with Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Para A of Part A of Schedule III to the said Regulations, we wish to inform you that the Crisil Ratings Limited has upgraded/revised/reaffirmed the ratings of Mangalam Drugs & Organics Ltd ('the Company'):

Facilities	Rating	Remarks
Long Term Rating	Crisil BBB-/Stable	Upgraded from Crisil BB+/Stable
Short Term Rating	Crisil A3	Upgraded from Crisil A4+

We request you to take on record the aforesaid revision in Credit Ratings of the Company.

Thanking You,
Yours faithfully,
For **Mangalam Drugs & Organics Limited**


Govardhan M. Dhoot
Managing Director
DIN: **01240086**



Rating Rationale

January 15, 2025 | Mumbai

Mangalam Drugs and Organics Limited

Ratings upgraded to 'Crisil BBB-/Stable/Crisil A3'

Rating Action

Total Bank Loan Facilities Rated	Rs.115 Crore
Long Term Rating	Crisil BBB-/Stable (Upgraded from 'Crisil BB+/Stable')
Short Term Rating	Crisil A3 (Upgraded from 'Crisil A4+')

Note: None of the Directors on Crisil Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has upgraded its ratings on the bank facilities of Mangalam Drugs and Organics Limited (MDOL) to '**Crisil BBB-/Stable/Crisil A3**' from '**Crisil BB+/Stable/Crisil A4+**'.

The rating action reflects an improvement in the business risk profile of MDOL, particularly the operating margin while the financial risk profile continues to remain comfortable.

Company operating margin improved by 400 bps to ~10.87% in H1FY25 on account of increase in volume during H1FY25 and the shift in focus to alternative raw materials which has a higher margin and better stability. Increased volume has also resulted in revenue of Rs ~156 crore during H1FY 25 despite lower realization. A significant improvement in operating margin along with stable sales is expected to result in accruals of above Rs 20 crore over the medium term.

Further, the company has a comfortable financial risk profile with a strong net worth of 100.4 crores and gearing less than 1 as on March 31, 2024.

The rating continues to reflect establish market position in the Anti-Malarial Active Pharmaceutical Ingredients (API) segment supported by extensive experience of promoters and its healthy relationship with leading formulators across multiple geographies. The rating also factors in above average financial risk profile. These strengths are partially offset by susceptibility to volatility in raw material, demand risk and large working capital requirement.

Analytical Approach

Crisil Ratings has evaluated the consolidated business and financial risk profiles of MDOL. Crisil Ratings has consolidated MDOL along with its 100% subsidiary Mangalam Laboratories.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Established market position in the Anti-Malarial API segment supported by extensive experience of promoters:** MDOL is among the few companies which is World Health Organization (WHO) approved and has tied up with the William J Clinton foundation (Clinton Foundation) and other Non-Governmental Organization (NGO) and Not for Profit Organizations (NPO) for manufacture of anti-malarial drugs. These APIs are among the most widely prescribed combination therapies that have been recommended by the WHO as the first line of treatment for malaria globally. Besides anti-malarial segment, the company is also present in various segments such as anti-inflammatory, anti-hypertensive, anti-retroviral segment and anti-convulsant agent. Further, it also benefits from the promoters' experience of over four decades, their strong understanding of market dynamics, and healthy relations with customers and suppliers.
- **Comfortable financial risk profile:** The company has strong net worth of over Rs 107.27 crore as on 31st March 2024, estimated to be at 115-125 crores. The capital structure is comfortable as reflected in gearing of 0.93 times and total outside liabilities to adjusted net- worth (TOLANW) ratio of 1.84 times as on March 31, 2024. The debt protection metrics are at comfortable level, reflected in estimated interest coverage and net cash accrual to adjusted debt ratios of 1.25 times and 0.06 times, respectively, for fiscal 2024. The financial profile is expected to remain at similar levels over the medium term given controlled reliance on external debt.

Weaknesses:

- **Intense competition and demand risk:** The bulk drugs industry is highly competitive due to presence of numerous domestic as well as global players, which constrains revenue growth and exerts pricing pressure on individual entities.

The scale of operation is also susceptible to order flows from WHO along with other agencies and NGO's, any funding constraints, or unfavorable policy decisions can impact order flow and revenue growth. This can be seen from scale of operations remaining flat at from fiscal 2023 (Rs 368.26 crore) to fiscal 2024 (Rs 366 crore) on account of lower tenders floated. With unexecuted orders in hand, scale is expected to improve and will remain monitorable over the medium term.

- **Large working capital requirement:** Gross current assets are estimated to be around 173 days as on March 31, 2024, due to high credit period offered and stretched receivables of over 60-90 days and inventory of over 129 days which the company maintains in line with the business requirements. The management of working capital will remain a key monitorable over the medium term

Liquidity: Adequate

Cash accruals are expected to be over Rs 21 crores which are sufficient against term debt obligation of Rs 5-7 crore over the medium term. In addition, it will act as a cushion to the liquidity of the company. Bank limit utilization is high at around 92 percent for the past twelve months ended September 24. Current ratio is low at 1.06 times as on March 31, 2024. Cash and bank balance stood at 5.63 crores as on March 31, 2024

Outlook: Stable

Crisil Ratings believes MDOL will continue to benefit from the extensive experience of its promoter, and established relationships with clients

Rating sensitivity factors

Upward factors:

- Increasing in scale of operations leading to revenue growth of 25% with sustenance of operating profitability
- Improvement in working capital cycle while sustaining financial risk profile.

Downward factors:

- Decline in revenue by 10% leading to net cash accruals below expectation
- Any large capital expenditure or stretch in the working capital cycle, weakening financial risk profile with gearing above 2 times

About the Company

MDOL (formerly, Advent Pharma Pvt Ltd), promoted by the Mumbai (Maharashtra)-based Dhoot family, was set up in 1972 as part of the Mangalam group. The company was reconstituted as a public limited company in 2001. MDOL manufactures bulk drugs, and organic and inorganic chemicals. MDOL is among the few companies which are World Health Organization (WHO)-approved Indian companies to be associated with the William J Clinton Foundation (Clinton Foundation) for manufacture of anti-malarial drugs; the company supplies artemisinin-based bulk drugs to pharmaceutical companies, for the manufacture of anti-malarial formulations.

Key Financial Indicators

As on / for the period ended March 31		2024	2023
Operating income	Rs crore	364.55	365.97
Reported profit after tax	Rs crore	-9.07	1.27
PAT margins	%	-2.47	0.34
Adjusted Debt/Adjusted Net worth	Times	0.93	0.74
Interest coverage	Times	1.25	2.00

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

Crisil Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

Crisil Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the Crisil Ratings' complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Bank Guarantee	NA	NA	NA	2.50	NA	Crisil A3
NA	Cash Credit	NA	NA	NA	70.00	NA	Crisil BBB-/Stable
NA	Foreign Exchange	NA	NA	NA	1.50	NA	Crisil A3

	Forward						
NA	Letter of Credit	NA	NA	NA	20.00	NA	Crisil A3
NA	Term Loan	NA	NA	30-Apr-27	9.25	NA	Crisil BBB-/Stable
NA	Working Capital Term Loan	NA	NA	20-Jan-28	6.17	NA	Crisil BBB-/Stable
NA	Working Capital Term Loan	NA	NA	15-Aug-26	4.15	NA	Crisil BBB-/Stable
NA	Working Capital Term Loan	NA	NA	31-Jan-27	1.43	NA	Crisil BBB-/Stable

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Mangalam Drugs and Organics Limited	100%	Managed by the same promoters and have operational and financial linkages
Mangalam Laboratories	100%	Managed by the same promoters and have operational and financial linkages

Annexure - Rating History for last 3 Years

	Current			2025 (History)		2024		2023		2022		Start of 2022
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	ST/LT	92.5	Crisil A3 / Crisil BBB-/Stable		--		--	21-11-23	Crisil A4+ / Crisil BB+/Stable		--	Withdrawn
			--		--		--	10-08-23	Crisil A3 / Crisil BBB-/Stable		--	Withdrawn
			--		--		--	03-08-23	Crisil BBB-/Stable		--	--
Non-Fund Based Facilities	ST	22.5	Crisil A3		--		--	21-11-23	Crisil A4+		--	Withdrawn
			--		--		--	10-08-23	Crisil A3		--	--
			--		--		--	03-08-23	Crisil A3		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	0.7	Bank of Baroda	Crisil A3
Bank Guarantee	1.5	State Bank of India	Crisil A3
Bank Guarantee	0.3	State Bank of India	Crisil A3
Cash Credit	19	Bank of Baroda	Crisil BBB-/Stable
Cash Credit	30	State Bank of India	Crisil BBB-/Stable
Cash Credit	21	Bank of Maharashtra	Crisil BBB-/Stable
Foreign Exchange Forward	1	Bank of Baroda	Crisil A3
Foreign Exchange Forward	0.5	State Bank of India	Crisil A3
Letter of Credit	7.5	Bank of Baroda	Crisil A3
Letter of Credit	12.5	Bank of Maharashtra	Crisil A3
Term Loan	9.25	State Bank of India	Crisil BBB-/Stable
Working Capital Term Loan	6.17	State Bank of India	Crisil BBB-/Stable
Working Capital Term Loan	1.43	Bank of Maharashtra	Crisil BBB-/Stable
Working Capital Term Loan	4.15	Bank of Baroda	Crisil BBB-/Stable

Criteria Details

Links to related criteria[CRISILs Approach to Financial Ratios](#)[Rating criteria for manufacturing and service sector companies](#)[CRISILs Bank Loan Ratings - process, scale and default recognition](#)[CRISILs Criteria for Consolidation](#)

Media Relations	Analytical Contacts	Customer Service Helpdesk
Ramkumar Uppara Media Relations Crisil Limited M: +91 98201 77907 B: +91 22 6137 3000 ramkumar.uppara@crisil.com Sanjay Lawrence Media Relations Crisil Limited M: +91 89833 21061 B: +91 22 6137 3000 sanjay.lawrence@crisil.com	Himank Sharma Director Crisil Ratings Limited B: +91 124 672 2000 himank.sharma@crisil.com Rushabh Pramod Borkar Associate Director Crisil Ratings Limited B: +91 22 6137 3000 rushabh.borkar@crisil.com Apurva Kumari Rating Analyst Crisil Ratings Limited B: +91 22 6137 3000 Apurva.Kumari@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number: 1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com For Analytical queries: ratingsinvestordesk@crisil.com

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