

PRESS RELEASE

MANGALAM INDUSTRIES LIMITED

January 2026

Ratings

| Instrument/Facilities | Amount (NPR Mn) | Ratings | Rating Action |
|----------------------------|-----------------|---------|---------------|
| Long Term Bank Facilities | 524.94 | IRN BB+ | Assigned |
| Short Term Bank Facilities | 620.00 | IRN A4+ | Assigned |
| Total | 1,144.94 | | |

Details of facilities are in Annexure 1 below

Infomerics Credit Rating Nepal Limited (Infomerics Nepal) has assigned the rating of IRN BB+ (Double B Plus) to the long-term bank facilities of NPR 524.94 Mn and IRN A4+ (A Four Plus) to the short term bank facilities of NPR 620.00 Mn.

Detailed Rationale

The ratings assigned to the bank facilities of Mangalam Industries Limited (MIL) derive strength from its established presence in the polymer pipes manufacturing segments and experienced promoter group, supported by an experienced management team and an established brand name 'Mangalam'. MIL has diversified in house manufacturing facilities, a wide product portfolio and gradually strengthening export presence. The ratings also factor in significant improvement in capital structure, with overall gearing easing to 1.05x as of mid-July 2025 following equity infusion by a private equity investor and moderate DSCR of 1.42x as of mid-July 2025.

Nonetheless, these rating strengths are constrained by the stagnant revenue profile of the company and contraction in the operating margins over the past three FYs (FY23-FY25), owing to higher business promotion expenses, high working capital intensity and elongated operating cycle. The ratings also take into consideration the high dependence on import and exposure to raw material price volatility and cyclicalities in the construction sector. Furthermore, MIL is exposed to foreign exchange fluctuation risk, as well as intense competition in the industry. Going forward, MIL's ability to improve its revenue profile, profitability margins, sustain its leverage and manage its working capital efficiently will remain key rating sensitivities.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced promoters with long track record of operations

MIL has established a strong presence in the manufacturing sector over a track record exceeding one and a half decades, primarily in the production of high quality polymer pipes, fittings, and water storage solutions. The company benefits from an experienced promoter group with extensive industry knowledge, which has supported consistent operational performance. The board is chaired by Mrs. Shashi Churiwal, who brings over 17 years of experience in the manufacturing domain. Over the years, MIL has progressively expanded its manufacturing capacities across multiple facilities in Nepal and markets its products under the well-recognized brand name "Mangalam", reflecting its focus on scaling operations while maintaining product quality.

Improving capital structure

MIL's capital structure improved steadily over FY23 to FY25, driven by gradual debt reduction and a sizeable equity infusion in FY25. Overall gearing ratio eased from 2.66x as of mid-July 2023 to 2.24x as of mid-July 2024 and improved significantly to 1.05x as of mid-July 2025, aided by a sharp increase in tangible net worth to NPR 655 Mn following equity infusion by a private equity investor. Total Outside Liabilities to Tangible Net worth (TOL/TNW) also declined from 3.47x in FY23 and 3.38x

in FY24 to a comfortable 1.47x in FY25. DSCR remained adequate at 1.62x in FY24 and 1.42x in FY25, indicating the company's moderate ability to meet its debt obligations. Interest coverage ratio remained stable at comfortable levels of 1.90x in FY23 and 1.89x in FY24 and stood at 1.77x in FY25, supported by sustained operating earnings coupled with lower finance costs owing to private equity infusion, majorly utilized for downsizing the existing loans. The slight moderation in the ratio is mainly on account of declining EBITDA over the years. Going forward, MIL's ability to maintain its leverage levels and improve its debt protection metrics will remain a key monitorable.

Established manufacturing, diversified product portfolio and growing export presence

MIL operates a manufacturing facility near Indo-Nepal border and has a diversified product portfolio comprising CPVC, HDPE pipes, UGDP, UltraFlo, Borewell, Wiresafe, and ProDrain, used for plumbing, water supply, drainage, and borewell systems. The plant's proximity to the custom point helps reduce freight costs and the product diversity enables MIL to serve both retail and infrastructure projects, limiting dependence on any single segment. Further, MIL has secured export contracts of ~1,800 MT for FY26 to India, reflecting its ability to meet export quality standards and expand more beyond the domestic market. MIL remains focused on scaling up exports in the medium term, which is expected to provide incremental revenue diversification. Therefore, the combination of in-house production capabilities, a broad product mix and gradually strengthening export presence ensures operational efficiency and reinforces MIL's market position in the domestic polymer pipes industry.

Key Rating Weaknesses

Stagnant revenue profile and moderation in profitability

MIL's financial performance remains moderate, with Total Operating Income (TOI) registering a modest CAGR of ~4% over the two-year period ending FY25 owing to an intense competition and an overall slowdown in the economy. The company's TOI has consistently stayed near the NPR One Billion mark. However, profitability witnessed moderation during the period, with EBITDA declining from NPR 201 Mn in FY23 to NPR 176 Mn in FY24 and further to NPR 136 Mn in FY25, leading to a contraction in EBITDA margin from ~20% in FY23 to ~16% in FY24 and ~13% in FY25. The moderation in margin is primarily attributable to higher business promotion expenses, largely towards dealer and distributor incentive schemes to support the sales volumes. Consequently, PAT margins softened to 3.4% in FY24 and 2.5% in FY25 from 4.3% in FY23. Thus, Gross Cash Accruals (GCA) moderated from NPR 71 Mn in FY23 to NPR 69 Mn in FY24 and further to NPR 53 Mn in FY25.

Working capital intensive nature of business

MIL's liquidity profile remains stretched characterized by an elevated working capital intensity of ~74% as of mid-July 2025, primarily on account of high inventory and receivable cycles in FY25. The company's working capital utilization remained high, averaging over 90% as of mid-July 2025, indicating significant reliance on external borrowings for funding working capital requirements. The company has to maintain large varieties of products coupled with sales order lying for dispatch at the end of financial year given high sales mix in third and fourth quarter evident from 72% sales in FY25. Collectively, the same resulted in significant inventory holding and high receivables at the end of FY25. Therefore, the operating cycle of the company remains stretched to 297 days in FY25 from 194 days in FY24, which underscores the structurally high working capital requirements of the business, which may have a potential stress on the company's overall liquidity position.

High reliance on import and raw material price volatility risk

MIL's operating profile remains exposed to raw material price volatility and import related risks, as a significant majority of its key inputs; such as Resin, Plastic granules, Additives, Masterbatch, etc. are imported. Imports accounted for ~98% of the total raw material procurement in FY25. Raw material costs constitute a substantial portion of the cost structure, averaging ~68% of total operating income, making profitability highly sensitive to fluctuations in raw material prices. Also, MIL incurred foreign exchange loss of NPR 1.12 Mn in FY24 and NPR 1.49 Mn in FY25. Additionally, the industry is characterized by intense competition, marked by the presence of numerous organized

and unorganized players, low product differentiation in standard pipe segments, and price based competition, which constrains pricing power and profitability, especially during demand slowdowns. Furthermore, any adverse regulatory developments or supply-chain disruptions could impact input availability or costs, thereby moderating the company's operating margins and overall financial risk profile going forward.

Analytical Approach: Standalone.

Applicable Criteria:

[Corporate Credit Rating Methodology](#)

About the Company:

Mangalam Industries Private Limited was incorporated on November 05, 2009 which later converted into Mangalam Industries Limited (MIL) on June 26, 2023. MIL is an ISO 9001:2008 certified and NS certified company with manufacturing facility, located in Dhakdhai, Rupandehi which has an installed capacity of 7,962 MTPA of Polymer processing capacity and manufactures and sales polymer based piping systems (CPVC, PVC, HDPE) and water storage solutions. The top three shareholders of MIL together hold 99.88% of the MIL's equity with Shashi Churiwal holding 51.35%, Avasar Equity Diversified Fund holding 28.57%, and Shiny Khetan holding 19.96% as of mid-July 2025.

Financial Indicators (Standalone)

| For the year ended* As on | FY21 | FY22 | FY23 | FY24 | FY25 |
|---------------------------------|---------|---------|---------|---------|-----------|
| | Audited | Audited | Audited | Audited | Unaudited |
| Total Operating Income (NPR Mn) | 1,001 | 1,143 | 998 | 1,081 | 1,084 |
| EBITDA Margin (%) | 14.16 | 20.43 | 20.14 | 16.31 | 12.55 |
| Interest Coverage Ratio (x) | 3.79 | 3.01 | 1.90 | 1.89 | 1.77 |
| Current Ratio (x) | 0.84 | 0.87 | 1.00 | 1.04 | 1.59 |
| TOL/TNW (x) | 6.66 | 4.17 | 3.47 | 3.38 | 1.47 |
| Overall Gearing Ratio (x) | 5.57 | 3.15 | 2.66 | 2.24 | 1.05 |
| Total Debt/EBITDA (x) | 5.25 | 3.33 | 3.84 | 4.17 | 5.07 |

*Classification as per Infomerics Nepal standards

Total Outside Liabilities/Tangible Net worth (TOL/TNW)

Earnings before Interest Tax Depreciation Amortization (EBITDA)

Annexure:1 Detail of Facilities:

| Name of Instruments/ Facilities | Type of Facilities | Amount (NPR Mn) | Rating |
|-----------------------------------------------------------------------|--------------------|-----------------|---------|
| Fund Based Bank Facilities- Term Loan | Long Term | 274.94 | IRN BB+ |
| Fund Based Bank Facilities- Permanent Working Capital Loan (Proposed) | Long Term | 250.00 | IRN BB+ |
| Fund Based Bank Facilities-CC/TR/STL* | Short Term | 220.00 | IRN A4+ |
| Non-Fund Based Bank Facilities- LC/BG# | Short Term | 400.00 | IRN A4+ |
| Total Facilities | | 1,144.94 | |

*CC=Cash Credit; TR=Trust Receipt; STL=Short Term Loan

#LC= Letter of Credit; BG= Bank Guarantee

Analyst Contacts

Mr. Girish Bhatta

Tel No.+977-1-4583304/4585906

girish.bhatta@infomericsnepal.com



Infomerics Credit Rating Nepal Limited

Ms. Kritagya Pyakurel

Tel No. +977-1-4583304/4585906

kritagya.pyakurel@infomericsnepal.com

Relationship Contact**Mr. Rabin Pudasaini**

Tel No. +977-1-4583304/4585906

rabin.pudasaini@infomericsnepal.com

About Infomerics Credit Rating Nepal Limited:

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Infomerics Credit Rating Nepal Limited

Tanka Prasad Marga, Baneshwor Height, Kathmandu

Phone: +977-1-4583304/4585906

Email: info@infomericsnepal.com

Web: www.infomericsnepal.com

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