



5 MINUTE STOCK IDEA

BY SMART SYNC INVESTMENT ADVISORY SERVICES

MANGALAM ORGANICS LTD

WHAT WE LIKE

MARQUEE CLIENTELE

The company has established strong connections with renowned names in both the B2B and B2C segments. In the B2B sector, clients include Colgate, ITC, Emami, Dabur, Asian Paints, and other prominent players in the FMCG and Paint Brands. For retail operations, partnerships are formed with recognized retail chains like D-Mart and other well-known e-commerce platforms for product distribution.

STRONG GROWTH PROSPECTS

- E-commerce Growth: Orders surged from 2,500 in FY19 to an impressive 18,000 in FY23, marking a substantial penetration into the e-commerce market.
- CamPure Home Care Products: The company expanded its offerings, introducing new products like a Camphor Cone, Sticks, Air Purifiers, Hand Wash, Soap Bar, Hand Sanitizer, and Liquid Vaporiser.

Buying the pessimism?

- The company has seen a strong moderation in its operating margins from 38% in FY21 to -1% in FY23 owing to lower realizations & increase in Raw material costs. However, it has seen improvement in FY24 with OPM at 5.69%.
- The company currently trades at a lucrative P/S of 0.7X (due to a fall in margins) & P/B of 1.14X (due to lower ROE). Any improvement in operating metrics can starkly change the company's valuation multiple.

	Mar 2021	Mar 2022	Mar 2023	TTM
Sales +	338	491	493	512
Expenses +	210	400	495	474
Operating Profit	128	91	-3	37
OPM %	38%	19%	-1%	7%

DECENT BALANCE SHEET

The company boasts a strong balance sheet with a D/E ratio under 1X, despite substantial FY21 capex. With current lower capacity utilization, the company is poised to leverage operational efficiencies, paving the way for potential future growth and enhanced profitability.

	Mar 2021	Mar 2022	Mar 2023	Sep 2023
Equity Capital	9	9	9	9
Reserves	243	296	267	268
Borrowings +	24	212	190	189
Other Liabilities +	35	44	40	37
Total Liabilities	311	560	506	503
Fixed Assets +	121	198	227	224

HEALTHY STAKE IN THE COMPANY

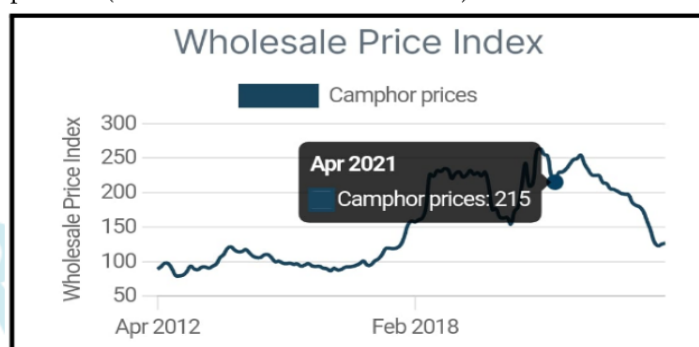
The promoters maintain a robust 54.91% stake, emphasizing skin in the game. Mr. Kamal Kumar Dujodwala and Pannkaj Dujodwala, the promoters, have over seven decades of experience & with the arrival of the Chairman's son as Chief Strategy Officer in 2018, the company is gradually transforming from B2B to B2C.

	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Dec 2021	Mar 2022	Jun 2022	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Sep 2023
Promoters +	54.91%	54.91%	54.91%	54.91%	54.91%	54.91%	54.91%	54.91%	54.91%	54.91%	54.91%	54.91%
Pub +	0.00%	0.00%	0.00%	0.00%	0.01%	0.02%	0.08%	0.08%	0.02%	0.00%	0.00%	0.00%
Public +	45.09%	45.09%	45.03%	45.09%	45.08%	45.07%	45.01%	45.01%	45.07%	45.08%	45.10%	45.10%
No. of shareholders	12,492	14,174	17,792	19,310	21,840	22,111	22,778	23,979	22,313	21,763	21,019	20,527

WHAT WE DON'T LIKE

RAW MATERIAL VOLATILITY RISKS

The company's raw materials, such as alpha pine & gum turpentine are volatile, and since they contribute 60-70% of overall costs, any change in their costs has a substantial impact on the margins. Similarly, post-COVID, the prices of camphor producers have reduced drastically, leading to lower demand and pricing for the company's terpene product (which is used as a raw material).



ELONGATED WORKING CAPITAL CYCLE

The company's working capital cycle is very high owing to high inventory days. This exposes the company to inventory losses & also leads to lower ROCE due to high capital invested. This is a major risk which needs to be tracked going forward.

	Mar 2020	Mar 2021	Mar 2022	Mar 2023
Debtor Days	31	37	33	38
Inventory Days	113	314	321	201
Days Payable	20	71	43	35
Cash Conversion Cycle	124	280	311	202
Working Capital Days	80	137	228	167
ROCE %		50%	20%	-4%

INTENSE COMPETITION

The camphor industry operates in a highly competitive environment, marked by the presence of numerous domestic and foreign players. The expansion of capacities by larger competitors increases the overall supply, leading to heightened competition that could impact realization.

INCONSISTENT CFO TO PAT CONVERSION

The company's Cashflows from operations have lagged its profitability owing to extremely high working capital cycle. This is a major issue considering the majority of its capex was done by borrowings despite generating sufficient internal accruals to incur the costs. As a result of this poor CFO, the company's balance sheet has now become strained due to high fixed interest cost burden.

	Mar 2020	Mar 2021	Mar 2022	Mar 2023
Cash from Operating Activity -	93	26	-84	77
Profit from operations	77	128	91	-3
Receivables	26	-39	-23	25
Inventory	2	-41	-138	54
Payables	6	8	7	1
Working capital changes	33	-72	-153	80
Direct taxes	-17	-55	-55	6

