

**3CAPITALS**  
expertise you can trust

**Game Changer**

 **Mangalam**  
Organics Limited

 | 

Date: 22<sup>nd</sup> March 2022, CMP: ₹ 870



# What's Inside?

<b>#3</b>	<b>Company Snapshot</b>	<b>#23</b>	<b>Capex &amp; Revenue Estimation</b>
<b>#4</b>	<b>Industry Overview</b>	<b>#24</b>	<b>Management Overview</b>
<b>#5</b>	<b>Corporate Overview</b>	<b>#26</b>	<b>Risk &amp; Concerns</b>
<b>#12</b>	<b>Investment Rationale</b>	<b>#27</b>	<b>Peer Comparison</b>
<b>#14</b>	<b>Financial Analysis</b>	<b>#28</b>	<b>Future Outlook</b>



# Company Snapshot

- **Total Weightage % in Portfolio = 6% (CMP = ₹870)**
- **Single Phase Buying Strategy = Buy 6% between ₹870-900.**
- **Price Target = Around ₹1500 in next 12 months, ₹2500-3000 in next 3 years. Expect 30% CAGR Return.**

- Mangalam Organics Limited (MOL) are **Prime Manufacturers of Camphor**, Resin and Sodium Acetate. The management has over 50 years of experience in the pine chemical industry.
- They have some **marquee clients like Asian Paints**, Kansai Nerolac Paints, Berger paints, Dabur, Emami, Pidilite, DMart, Reliance Retail, Amazon, Flipkart, etc.
- Performance of "Mangalam Organics Ltd" is **NOT dependent on crude oil and the volatility of its prices.**

Market Cap: ₹ 750 Cr.	<b>Current Market Price: ₹ 870</b>	52 Week high/low: ₹ 1,300/465
PE : 8.88	ROE: 40.5%	ROCE: 49.7%
Mcap/Sales = 1.6	Promoter's Holding: 54.9%	Debt to Equity: 0.03
Dividend Payout : 1.51%	Pledged Percentage: 0.00%	PEG ratio: 0.15
Sales Growth (3Y) : 12.0%	Profit Growth (3Y) : 22.7%	Free cash flow (3Y) : ₹ 33.2 Cr.

- **Pine Chemicals:** The viability of the pine chemical industry lies in the principles of sustainability. The industry has been a pioneer in developing sustainable value added products from a renewable resource, even before the term became popular globally. According to a report of 'IndustryArc', the global pine-derived chemicals market is projected to reach USD 5.91 Billion by 2025, after growing at a CAGR of 4.20% during 2020-2025.
- **Terpenes:** Terpenes are aromatic compounds found in many plants, especially conifers. The term 'terpenes' originates from turpentine, which is a pine chemical and it contains resin acid and hydrocarbons. Because of its strong odour and high resistance capabilities it is widely used in various applications like essential oil, fragrance, flavouring agent in industrial uses. The global Terpenes Market was valued at USD 665.15 MN in 2020 and is projected to grow at a CAGR of 14.29% between 2021 and 2027 according to a New Research study by 360 Research Reports.
- **Synthetic Resins:** Synthetic resin is an artificial polymer, which has similar physical properties like natural resins, but is different chemically. According to a report from Procurement IQ, the synthetic resins will grow at a CAGR of 5.09% during 2021-2025. Prices will increase by 5%-7% during the forecast period and suppliers will have a moderate bargaining in this market. Due to its properties like light weight, durability, rigidity, and the ability to act as an excellent barrier, synthetic resins are used as a flexible packaging material. The growth of e-commerce sector is creating a substantial demand for flexible packaging and synthetic resins. Asia Pacific region is dominating the global synthetic resins market and is expected to contribute significantly in the global spend.
- **Aroma Chemicals:** Aroma chemicals are cyclic compounds that find application in additives and fragrances. As per the recent data, the domestic flavours and fragrance market is valued at USD 500 million, a small slice of the USD 24 billion global industry. Yet India is not just a growing market for consumption but also an important exporter of raw material for fine fragrances.

Source: Company Disclosures



# Corporate Overview

3C Capitals

- Mangalam Organics Limited is a leading pine chemicals manufacturer in India. It is engaged in the manufacturing and selling of Camphor and by-products and various Synthetic Resins in India and abroad. The strength of its pine chemical products lies in the fact that they are extracted from natural resources and are devoid of the side effects of synthetic chemicals. The market performance of these products is not dependent on crude oil and the volatility of its prices.
- **Applications and uses:** The Company's products have applications in a number of sectors such as religion and worship, pharmaceuticals, flavour and fragrance, rubber & tyre chemicals, paints and varnishes, among others. The Company caters to both domestic and the international market. **Geographical Split (FY21): Domestic: 91% & International: 8%**
- In addition to having a wide reach and strong footprint in the domestic market, it is expanding its global operations. As its products have a variety of industrial applications, it has established a strong B2B presence, despite facing competition from domestic and international players.
- **Geographical presence:** The Company has created a niche for itself in the pine chemicals industry as one of the major players with its customers spanning across Europe, Africa, USA and Middle East. With its decades of domain experience and backed by an experienced management team, MOL is creating its base in the Indian retail market with its branded offerings in camphor. The Company is tying up with a number of retail brands and e-commerce platforms to augment its B2C business.

## B2B- Terpene

- **Camphor:** Religious use, healthcare products, hygiene products
- **Dipentene:** Paints, cleaning and degreasing agents
- **Sodium Acetate:** Textile and dyes industry, Leather tanning

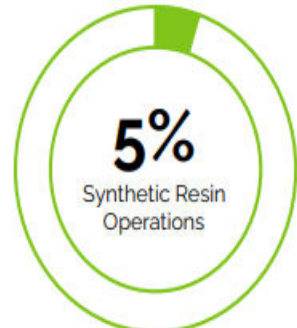
## B2B - Synthetic Resin

- **Terpene Phenolic Resin** - Adhesives
- **Alkyl Phenolic Resin** - Rubber Products i.e., Tyres
- **Rosin Ester** - Paint and varnish material industry, thermoplastic compounds for road marking, hot melts and glues susceptible to pressure, insulation finishes

## B2C - Retail Operations

- **CamPure** - Homecare and personal care products based on Camphor
- **Mangalam** - Camphor tablets for pious uses
- **Private Labelling Initiatives**

## Revenue break-up





## Business-to-Business

## Business-to-Consumer

Trading	Manufacturing	Expansion	Listing	Diversification	Brand Establishment	Product Portfolio	Brand Strengthening
<b>1946</b> Late Ramgopal Dujodwala (founder of Mangalam Organics Ltd.) commenced Trading in Rosin	<b>1949</b> Late Ramgopal Dujodwala established a Rosin and Turpentine manufacturing unit at Hoshiarpur, followed by a unit at Una, Faridabad, and one in J&K	<b>1988</b> Facility built for manufacture of Rosin and Turpentine at Khopoli (Maharashtra)	<b>1994</b> Facility built for manufacture of Camphor and MOL listed on BSE Limited	<b>2007</b> Kamal Dujodwala took over as Chairman. Set up a new division to manufacture Synthetic Resins	<b>2013</b> Commenced manufacturing and retailing of Mangalam Camphor Tablets	<b>2017</b> Commenced manufacturing and retailing of homecare products based on Camphor under "CamPure"	<b>2019</b> We started marketing campaigns & brand strengthening initiatives full fledge.



# Key Clientele

3C Capitals

## Terpene Operations



## Synthetic Resin Operations



## Retail Operations



# Product Portfolio & Business Model

3C Capitals

## Terpene



Camphor | Dipentene | Sodium Acetate

## Synthetic Resin



Terpene Phenolic Resin | Alkyl Phenolic Resin | Rosin Esters



CamPure - Homecare and personal care products based on Camphor  
Mangalam - Camphor tablets for pious uses  
Private Labelling Initiatives



Game Changer

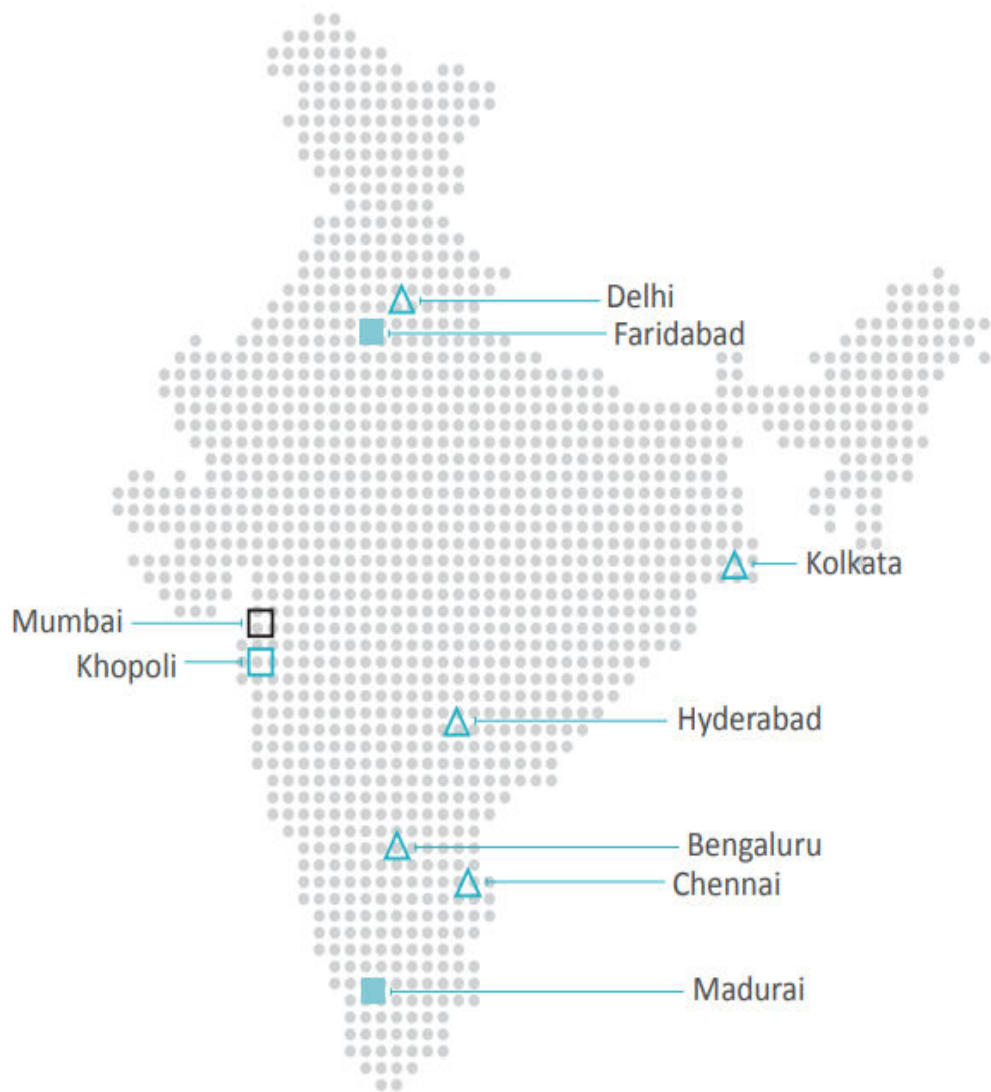
3C Capitals (SEBI Registered RA), <http://www.3ccapitals.com/wa/>, [mail@3ccapitals.com](mailto:mail@3ccapitals.com), Ph +91 9354179604



# Sales Network



PAN India Presence  
With Growing Export Footprints



Pin Codes serviced  
from e-Commerce  
orders

FY2019  
**2,500**

FY2020  
**3,700**

FY2021  
**9,000**

- Manufacturing Plant
- Head Office
- △ Warehouse & Marketing Office
- Marketing Office

Map not to scale. For illustrative purpose only.

# Manufacturing Capabilities

- The Company has a state-of-the-art manufacturing facility spread across about 25 acres (101,200 Sq. Meters) at Kumbhivali village in the Raigad district of Maharashtra. The manufacturing site also has a logistic advantage as it is situated on the Mumbai-Pune expressway for Pan-India road connectivity. Container terminal Jawaharlal Nehru Port (JNPT) is situated about 60 kms away from the plant.
- The **manufacturing operations are highly automated** and run by a robust operation system that efficiently integrates the functions related to quality control, stores, packing, dispatch, maintenance and R&D. The Company regularly reviews the plant systems, procedures and practices to enhance productivity, efficiency and safety. The manufacturing activities of the products confirm to statutory pollution control standards.

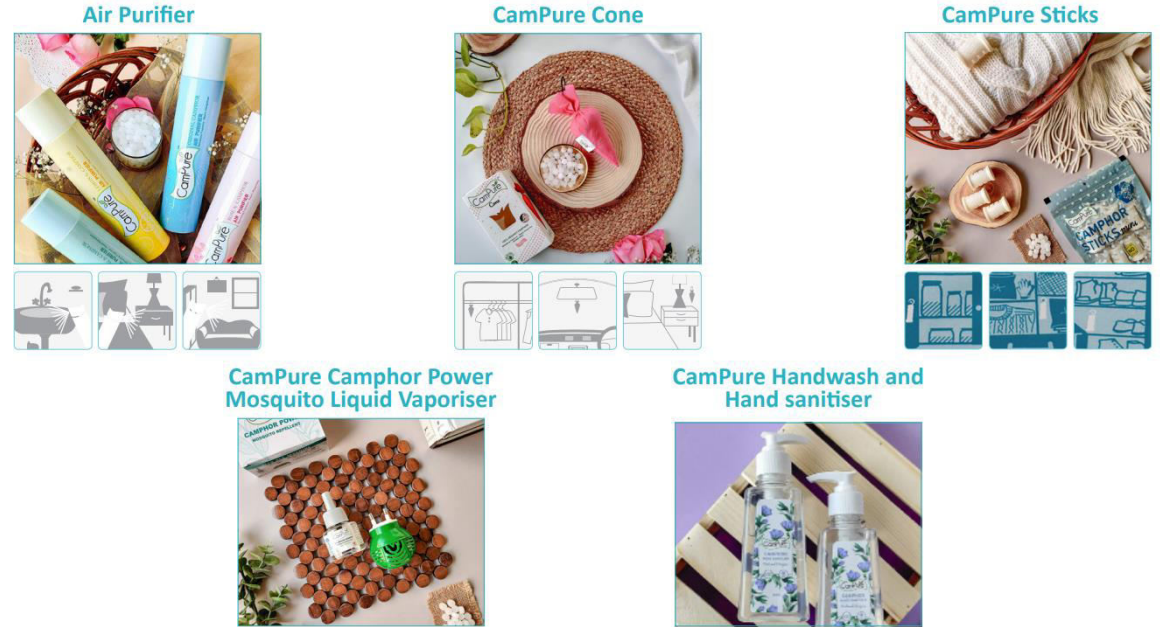




# Subsidiary Overview: CamPure

- Camphor – A creation with a rich history and vibrant future is a natural product made from the extract of the pine tree. While in the Indian domestic market, Camphor is widely used for religious purposes, it has usage far and wide across countries globally. Camphor also plays a vital role as the active ingredient in several orthopaedic, skin and congestion-related pharmaceuticals and leading pharmaceutical companies are increasingly purchasing Camphor with more R&D being done on Camphor-based formulations. On the hygiene side, Camphor is replacing naphthalene and PDCB in the West and is gaining increasing share of the homecare market. The Camphor manufactured in China is used for hygiene and pharmaceutical uses while that manufactured in India is largely used for pious purposes. Going forward, it is estimated that India too will start using camphor for innovative hygiene products.
- During the year under review, Campure Private Limited was incorporated as a wholly owned subsidiary of Company. Mangalam Organics Limited has announced that the name of the **Wholly owned Subsidiary of the Company has been changed from, "Campure Private Limited" to "Mangalam Brands Private Limited" and approved by the Registrar of Companies with effective from February 18, 2022.** The WOS of the Company will continue to carry on its business according to its Main object.

3C Capitals



## Retail Portfolio

Mangalam	Camphor tablets for religious purposes
CamPure	Home care products based on camphor such as Camphor Cone, Camphor Sticks, Camphor Air Purifiers, Camphor Hand Wash, Camphor Soap Bar, Camphor Hand Sanitizer, Camphor Mosquito Repellent Liquid



## Strong Financial Performance

Company has Improvement in revenue driven by volume growth and operating margins sustained at above 20%. Sustained financial risk profile and debt protection metrics with low leverage and healthy financial flexibility.

## Established Market Position

MOL benefits from its promoters' extensive experience in the camphor industry, and its position as a leading player in the domestic market. The Dujodwala family has experience of around five decades and healthy relationships with customers and suppliers.

## Transformation from B2B to B2C

The company is actively transforming their business model from B2B to B2C, which already accounts to 10% of their total revenue, with vision and proper execution it could take up about 50% revenue share in the near future.

## Brand Strengthening

Company is continuously working on strengthening their brand through effective social media presence, commercials and positive outlook on online shopping sites like amazon. They have strong financials and ability to fund branding initiatives from earnings of retail.

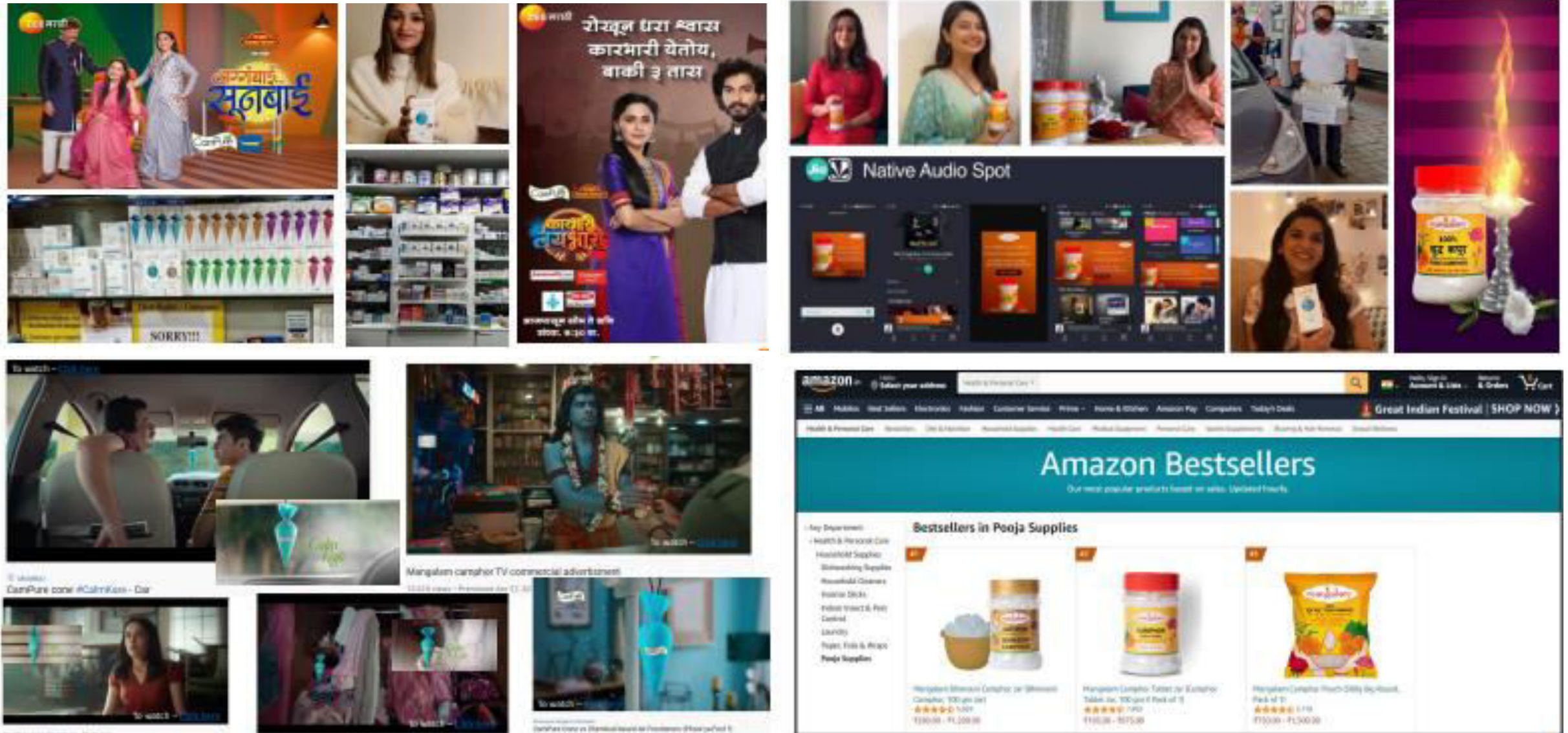
## Increased Production Capacity

Company increased their production capacity of camphor from 5000MT last year to 10,000MT w.e.f from Jan 2022, this increased capacity will surely contribute to higher sales

# Brand Strengthening

3C Capitals

Mangalam has been strengthening its brand through commercials, active presense on social media, etc.



Game Changer

3C Capitals (SEBI Registered RA), <http://www.3ccapitals.com/wa/>, [mail@3ccapitals.com](mailto:mail@3ccapitals.com), Ph +91 9354179604

## Income Statement Analysis

	Mar 2010	Mar 2011	Mar 2012	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021	TTM
Sales +	146	190	220	210	231	239	169	176	241	425	375	338	462
Expenses +	131	169	207	196	213	223	196	164	216	316	288	210	333
Operating Profit	15	21	13	14	19	15	-27	12	25	109	86	128	130
OPM %	10%	11%	6%	6%	8%	6%	-16%	7%	10%	26%	23%	38%	28%
Other Income	1	2	1	2	1	4	31	1	1	3	-9	1	1
Interest	2	4	7	6	8	6	6	4	3	4	5	1	1
Depreciation	3	4	4	4	5	6	5	5	6	6	9	14	16
Profit before tax	11	15	3	5	7	7	-7	3	18	102	63	114	114
Tax %	35%	36%	-3%	29%	33%	39%	-41%	-63%	21%	28%	24%	26%	
Net Profit	7	10	3	3	5	4	-10	5	14	73	48	85	84
EPS in Rs		10.66	3.70	3.84	5.28	4.64	-11.42	5.34	15.97	84.84	55.98	99.21	98.62
Dividend Payout %	12%	9%	0%	0%	0%	0%	0%	0%	6%	1%	2%	2%	

- Increase in Operating profit margin was due to better sales realization and reduction in raw material prices during the year as compared to FY 2019-20. **The Company has been maintaining an effective average operating margins of 20.55% in the last 5 years.**
- Over the last 3 years on average, earnings per share has increased by 14% per year but the company's share price has increased by 42% per year, which means it is tracking significantly ahead of earnings growth.
- **Company has delivered good profit growth of 59.25% CAGR over last 5 years.** Profitability has been increased due to better sales realization and reduction in raw material prices during the year, which resulted in further high net worth as compared to previous year 2019-20

- During the year under review, Revenues from operations for FY 2020-21 stood at ₹ 338.26 crore, a decline by 9.68% as compared to ₹ 374.52 crore in FY 2019-20. **Fall in revenue was due to reduced production quantities** as a result of COVID-19 pandemic restrictions hitting worldwide.
- Further, the Company registered a Net Profit of ₹ 84.72 crore for FY 2020-21, a good growth of 78.13% as compared to ₹ 47.56 crore for the FY 2019-20. The **substantially increased profit ratio was largely on account of higher selling price of finished goods vs lower priced, well stocked up raw material situation.** The Company's EBIT stood at ₹ 128.92 crore for FY 2020-21, as compared to ₹ 87.36 crore in FY 2019-20, a growth in ratio of 47.57%.



## Balance Sheet Analysis

3C Capitals

	Mar 2010	Mar 2011	Mar 2012	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Sep 2021
Share Capital +	9	9	9	9	9	9	9	9	9	9	9	9	9
Reserves	23	31	34	37	42	43	33	38	52	113	159	243	281
Borrowings	12	31	51	39	55	70	64	50	40	50	20	24	8
Other Liabilities +	41	66	51	55	52	43	37	28	28	22	27	35	49
<b>Total Liabilities</b>	<b>85</b>	<b>138</b>	<b>145</b>	<b>141</b>	<b>158</b>	<b>166</b>	<b>143</b>	<b>125</b>	<b>129</b>	<b>193</b>	<b>215</b>	<b>311</b>	<b>346</b>
Fixed Assets +	37	42	44	50	50	48	35	32	33	51	102	121	129
CWIP	1	1	4	1	0	0	0	0	1	4	3	0	8
Investments	0	0	0	0	0	0	0	0	1	0	0	0	0
Other Assets +	47	94	98	89	108	118	108	93	95	138	110	191	209
<b>Total Assets</b>	<b>85</b>	<b>138</b>	<b>145</b>	<b>141</b>	<b>158</b>	<b>166</b>	<b>143</b>	<b>125</b>	<b>129</b>	<b>193</b>	<b>215</b>	<b>311</b>	<b>346</b>

- During the year under review, there was no change in the share capital of the Company. As on March 31, 2021, the paid up share capital of the Company was ₹ 8,56,44,400/- divided into 85,64,440 Equity of the face value of ₹ 10/- each.
- Company has reduced debt.** Company is almost debt free. Debt protection metrics are healthy with interest coverage and net cash accrual to total debt ratio at 16.7 times and 2.8 times, respectively, during fiscal 2020, and are likely to improve because of healthy profitability.
- Net debt to equity ratio (0.03) is considered satisfactory. Debt to equity ratio has reduced from 1 to 0.03 over the past 5 years.** Decrease in Debt Equity Ratio as compared to FY 2019-20 was due to considerable reduction in short term and long term liability.

## Cash Flow Analysis

3C Capitals

	Mar 2010	Mar 2011	Mar 2012	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021
Cash from Operating Activity -	14	-7	-4	27	-5	-0	12	21	25	29	93	26
Profit from operations	15	23	14	9	19	19	14	12	26	111	77	128
Receivables	-5	-12	-5	-0	-9	0	-13	6	-0	-14	26	-39
Inventory	3	-39	2	10	-11	-11	21	7	4	-32	2	-41
Payables	4	24	-11	4	-2	-7	-10	-4	-0	-5	6	8
Working capital changes	1	-27	-14	14	-23	-18	-2	9	3	-52	33	-72
Interest paid	-0	-0	-0	6	-0	-0	-0	-0	-0	-0	-0	-0
Direct taxes	-2	-3	-4	-1	-2	-1	-0	0	-5	-30	-17	-30
Cash from Investing Activity +	-10	-9	-7	-9	-3	-8	-2	-2	-7	-27	-59	-28
Cash from Financing Activity +	-1	14	12	-18	8	9	-12	-18	-13	-6	-36	2
Net Cash Flow	4	-2	1	0	0	1	-2	1	5	-4	-2	0

- Net cash accrual was Rs 55.9 crore in fiscal 2020 and likely to be around Rs 70-90 crore per fiscal over the medium term against absence of any debt obligations over the medium term. There are no material capital expenditures planned over the medium term. Bank limit was utilised at 7% on average over the 12 months through December 2020. Current ratio was 3.3 times as on March 31, 2020, and should remain comfortable over the medium term. Cash and bank balance of around Rs 30-35 crore also supports liquidity.
- Company's debt is well covered by operating cash flow (502.5%).**

## Key Ratio Analysis

3C Capitals

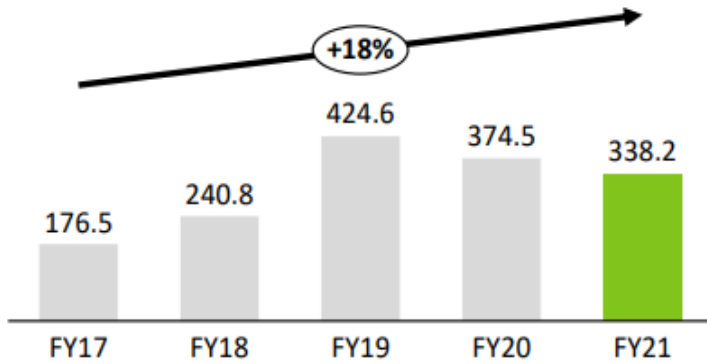
	Mar 2010	Mar 2011	Mar 2012	Mar 2013	Mar 2014	Mar 2015	Mar 2016	Mar 2017	Mar 2018	Mar 2019	Mar 2020	Mar 2021
Debtor Days	36	36	46	48	54	33	26	36	36	32	31	37
Inventory Days	54	143	112	97	110	128	105	111	72	99	113	314
Days Payable	80	112	75	72	65	47	44	46	39	20	20	71
Cash Conversion Cycle	10	66	83	72	98	114	87	100	69	111	124	280
Working Capital Days	16	51	76	57	92	116	166	128	81	100	83	137
ROCE %	31%	32%	12%	12%	16%	11%	-1%	7%	21%	77%	44%	50%

- Company's PEG ratio is 0.10.
- Company has been maintaining healthy ROE of 50.98% over the past 3 years.
- Company has been maintaining healthy ROCE of 54.93% over the past 3 years.
- Company has a healthy Interest coverage ratio of 115.19. Increase in Interest Coverage Ratio was due to increase in profitability on account of higher selling price of finished goods vs lower priced, well stocked up raw material by the Company as compared to FY 2019-20.
- Company has repaid substantial working capital facility which resulted in further improvement in Current ratios as compared to FY 2019-20.

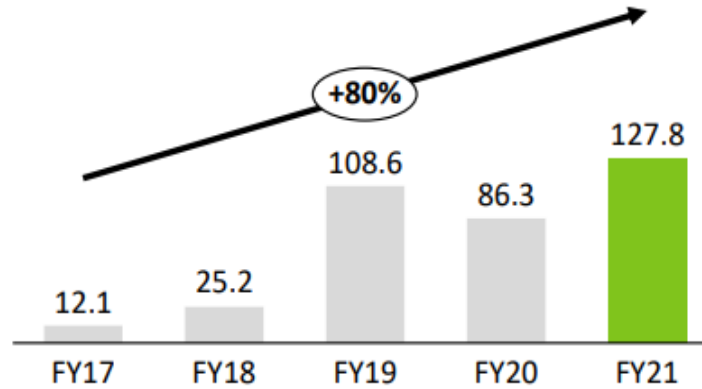


# Performance in Charts

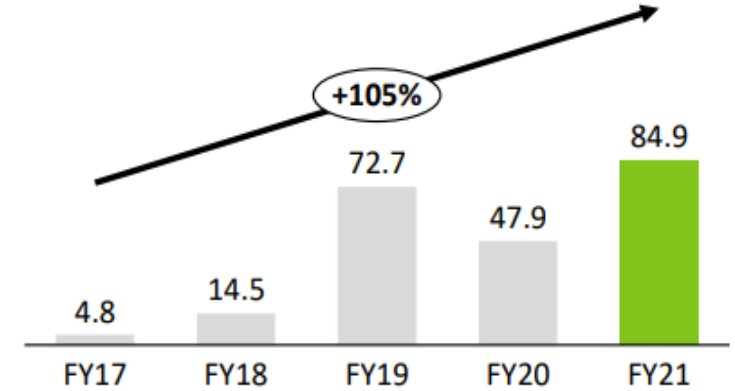
Revenues (Rs. Crs)



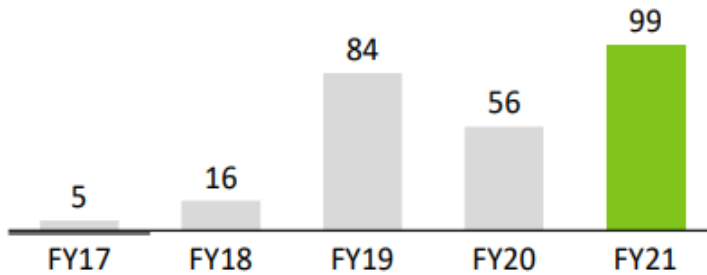
EBITDA (Rs. Crs)



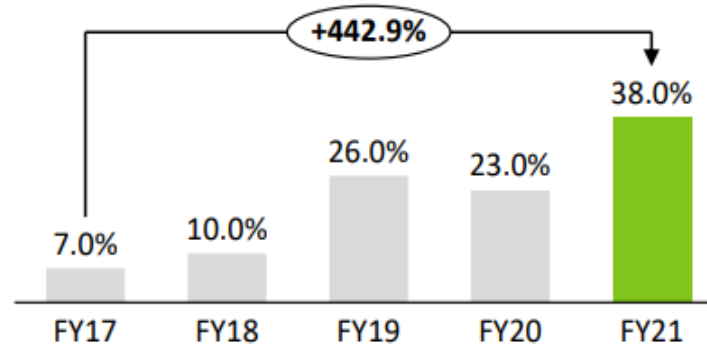
PAT (Rs. Crs)



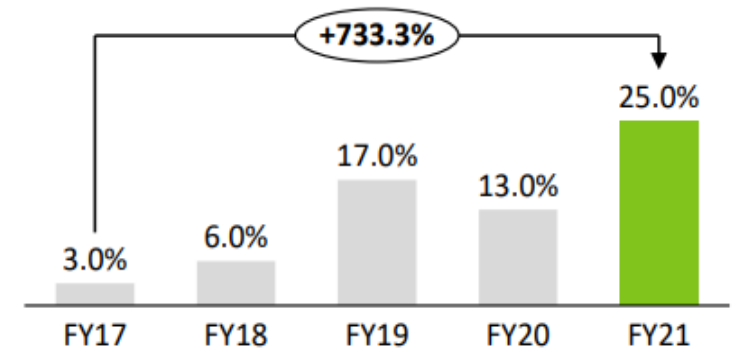
Earnings Per Share (in Rs)



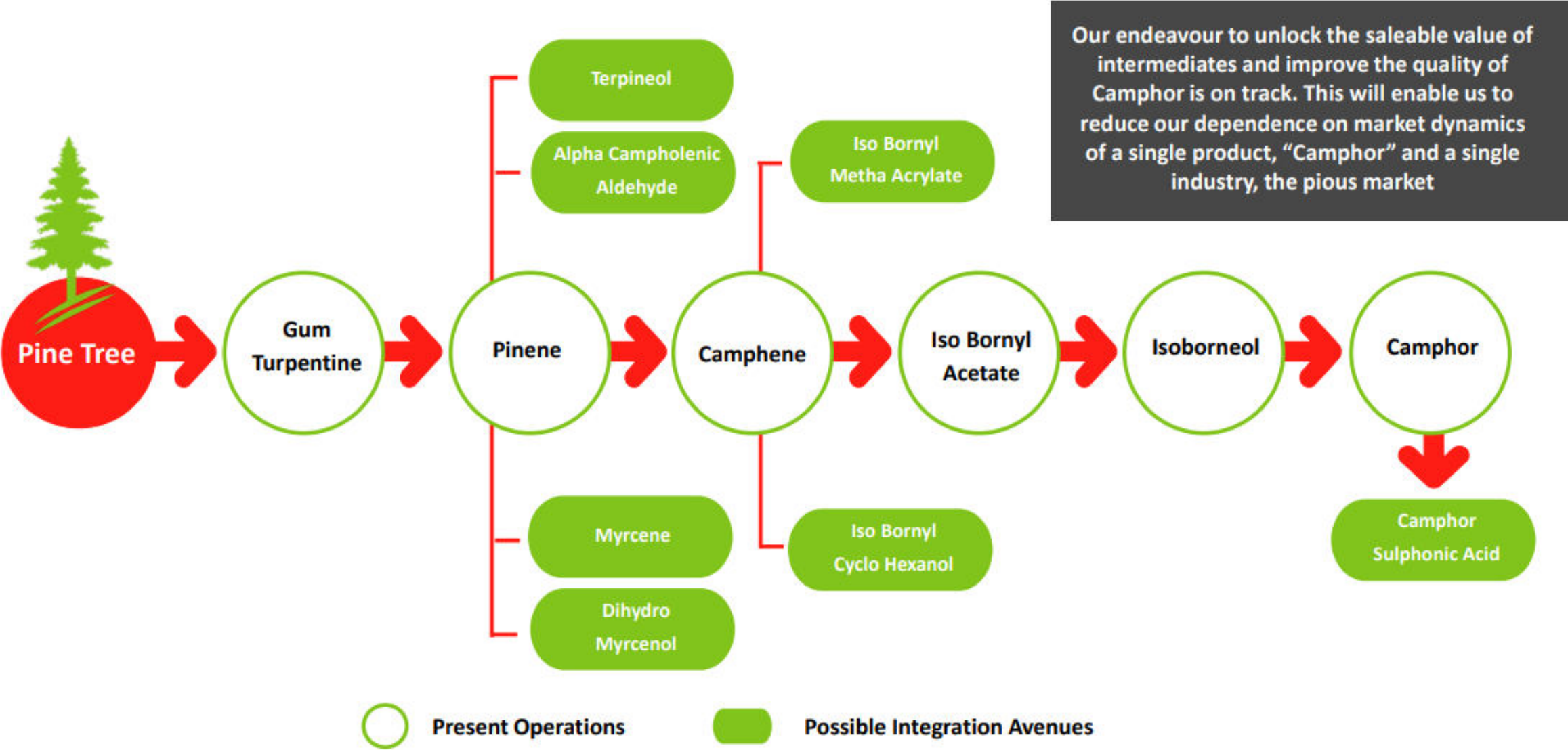
EBITDA Margins (%)



PAT Margins (%)



# #1. B2B – Unlocking the Value of Intermediates



## #2. B2B – Synthetic Resins – Niche Approach



### Bespoke and Niche Approach

#### Terpene Phenolic Resin

- Increase range of terpene phenols to cater wide needs of customers in domestic market
- Pursue product approvals with global tyre and adhesive customers in the domestic and export market

#### Alkyl Phenolic Resin

- Understand customer pain points and provide tailormade products
- Introduce wide range of quality products to enable registration with key distributors

#### Rosin Modified Resins

- Explore opportunities of import substitution in adhesives and printing ink industry
- Improve quality of products to global standards to unlock export opportunities



# #3. B2C – Future Growth Strategy

3C Capitals

## Expansion in Product Portfolio

1

*Introduction of new products for the retail markets to increase our market share*



## Expansion in Geographical Reach

2

*Increase the distribution strength from current 60 salesmen to 150 salesmen in one year thereby increase penetration to 10 states*



## E-Commerce

4

*Strengthening brand and unlocking the power of E-commerce . Our products are available on Amazon, Bigbasket, Jiomart, Flipkart etc.*



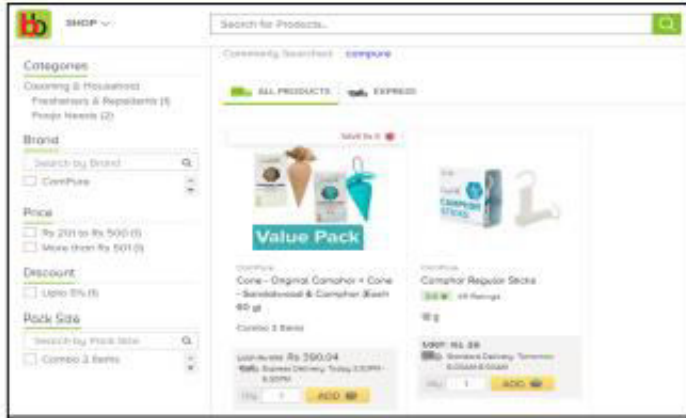
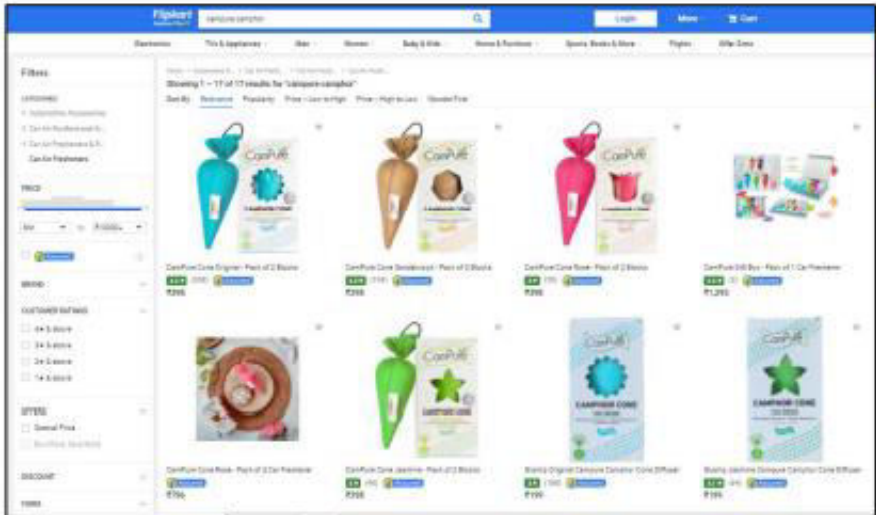
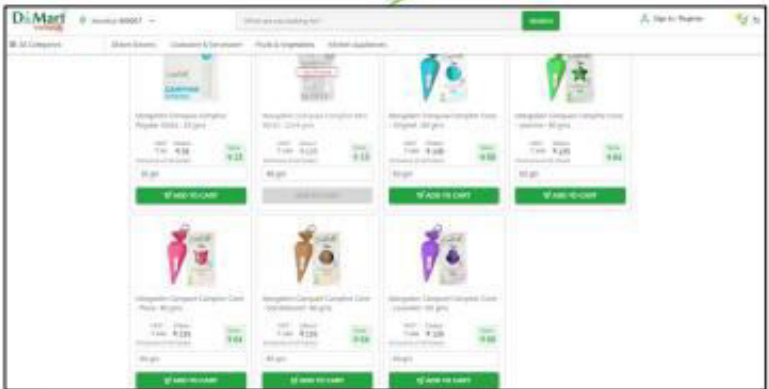
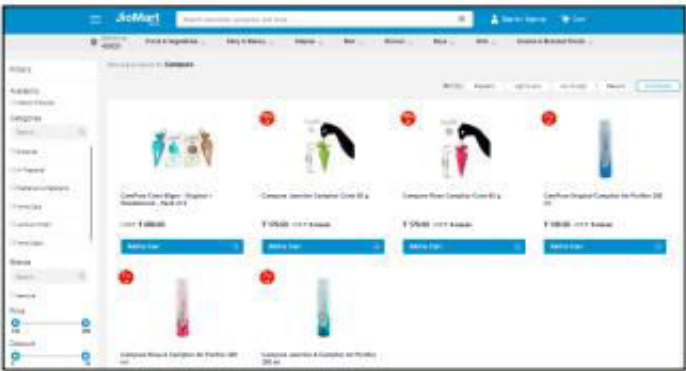
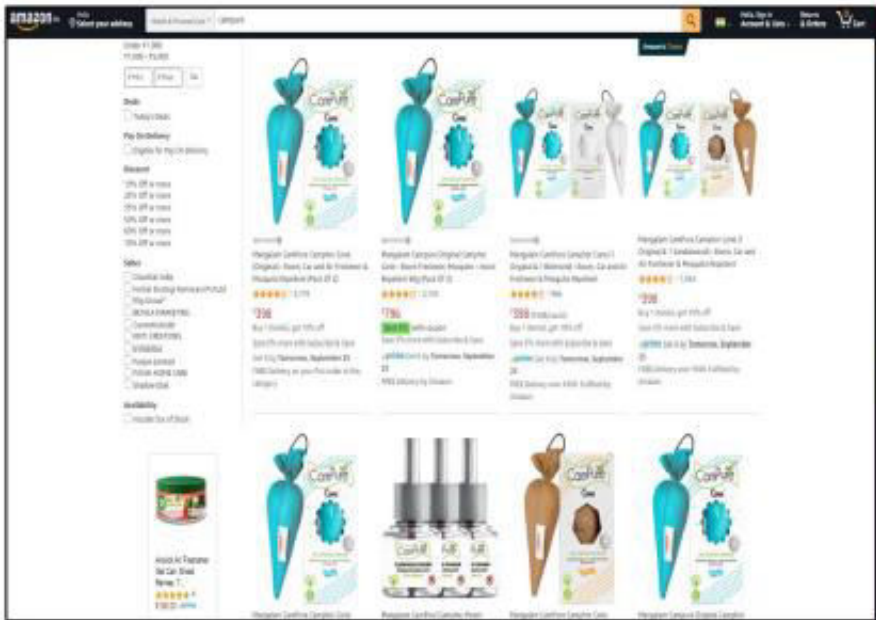
## Export Opportunity

3

*There is huge global market potential for the products we manufacture. In future we may look for expansion in these markets*



# #4. B2C – Target retail market with e-Commerce



# Capacity Expansion & Revenue Estimation

- Terpene still contributes nearly 85% of their revenue, 5% synthetic resins and 10% Retail Operations. Camphor from their terpene operations contributes 80% of their total revenue continues to be in demand with wuhan virus pandemic as well.
- As a part of modernizing and continuously deploying new technologies at the Company's manufacturing facility located at Kumbhivali village, Maharashtra the Company has commissioned new Steam Boilers and Thermopac. **Consequent upon the developments as above, the Company will now be able to produce 10,000 MT per annum of Camphor from present capacity of 5,000 MT per annum with effect from January, 2022.** The above technological improvements and developments have been financed through Internal Accruals.

	2019-2020	2020-2021	2021-2022 (Estimated)	2022-2023 (Estimated)
Capacity Installed	5000 MT	5000 MT	10,000 MT (W.E.F Jan '22)	10,000 MT
Capacity Utilized	75%	68%	70%	75%
Revenue (in Cr.)	374.5	338.2	435.1	696.1



## Mr. Kamalkumar Dujodwala (Chairman)

A Graduate in Science along with training at National Chemical Laboratory, Mr. Kamalkumar Dujodwala brings with him a 40 years of experience in the chemical Industry and has spearheaded commissioning and operations at various facilities across India. He has been the president of the All-India Manufacturers Organization and is presently the Vice President of the Indo-China Chamber of Commerce. Mr. Kamalkumar took over as Chairman of the Company in year 2007.

## Mr. Pannkaj Dujodwala (Managing Director)

Mr. Pannkaj Dujodwala holds an MBA degree from Landsdown College, New Hampshire University, UK and is a Graduate in Commerce. He has been involved in the Pine Chemicals Industry for over 30 years and brings with him wide experience to oversee day-to-day activities at Mangalam Organics Limited.

## Mr. Sharad Kumar Saraf (Independent Director)

Mr. Sharad Kumar Saraf is holding a degree in electronics engineering from the prestigious Indian Institute of Technology, Mumbai and has over 40 years of rich experience in International Trade. He has a year of experience in Industrial training in Germany. Mr. Saraf has founded the Technocraft Industries (India) Ltd. He has also established hi-tech technology park with engineering design services facilities, employing nearly 300 engineers with office in Germany & USA. Mr. Saraf has won the National Trophy for Export Excellence from Prime Minister of India.

## Mr. Shree Narayan Baheti (Independent Director)

Mr. Shree Narayan Baheti is holding a degree in B.E. (Electricals) from College of Engineering and Technology, Jadavpur University, Kolkata. Mr. Baheti promoted the Focus Group of Companies. Over the years he had been holding the directorships in many companies engaged in Manufacturing, IT services and Financial Services. He has travelled all over the world with enough Trade and legal experience of many Countries.

## Mr. Rajkumar Jatia (Independent Director)

Mr. Raj Kumar Subhkaran Jatia started his career in the family textile business and grew the business to Japan, Hong Kong and Nepal. Mr. Jatia acquired India's largest safety match company WIMCO and turned this failing company into a success. Mr. Jatia ventured into the hospitality field In the 1980s during the Asian Games, establishing India's first Hyatt Regency Hotel and thereafter constructed three more hotels in Mumbai, Kolkata and Pune which are operating under the Hyatt Regency brand. Mr. Jatia built India's first Four Seasons Hotel in Mumbai in 2008.

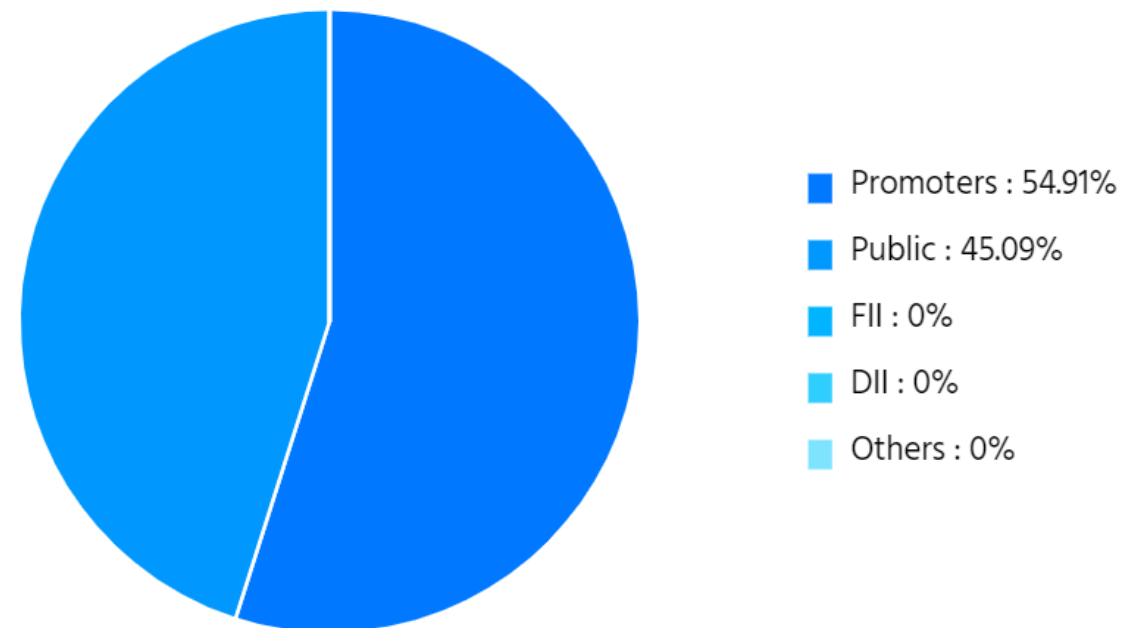
## Mrs. Manisha Agarwal (Independent Woman Director)

Mrs. Manisha Agarwal is a qualified Chartered Accountant with a vast experience in financial markets, Personal finance and Recruitment for domestic as well as international corporations. Currently Mrs. Agarwal is handling family investments in Mutual Funds, Bonds, Stocks and other financial instruments. She is actively involved in Portfolio Management for her family members, Private Limited Companies and Family Trusts. She also prepares corporate and personal financial statements, tax return preparation and filing for companies, partnership firms and individuals. She is also involved in the Travel and Tour services business namely Voyapal along with her husband.

# Shareholding Information

	Mar 2019	Jun 2019	Sep 2019	Dec 2019	Mar 2020	Jun 2020	Sep 2020	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Dec 2021
Promoters +	49.91	50.01	51.87	51.87	54.91	54.91	54.91	54.91	54.91	54.91	54.91	54.91
FII's +	0.14	0.14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.06	0.00	0.00
DII's +	0.06	0.06	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Public +	49.89	49.80	48.13	48.12	45.09	45.09	45.09	45.09	45.09	45.03	45.09	45.09

- **The promoter holding has increased from 46.91% in FY18 to 54.91% in FY21.**
- Hedge funds don't have many shares in Mangalam Organics. Indo Euro Securities Ltd is currently the company's largest shareholder with 21% of shares outstanding. Meanwhile, the second and third largest shareholders, hold 14% and 9.4%, of the shares outstanding, respectively. Pannkaj Dujodwala, who is the second-largest shareholder, also happens to hold the title of Chief Executive Officer.
- With a 30% ownership, the general public, mostly comprising of individual investors, have some degree of sway over Mangalam Organics. **Radhakishan S Damani (Well know investor & promoter of D'Mart) holds 2.17% stake in this company.**



# Risks & Concerns

<b>Competition risk</b>	Any market share losses for the Company to the global and domestic players will adversely impact the financial results of the Company.
<b>Macroeconomic risk</b>	Any slowdown in economic growth of the country and resulted drop in consumption may lead to a slowdown in FMCG sector. Consequently, this would adversely affect Indian Chemical industry causing lower capacity utilizations for the Company
<b>Raw material price risk</b>	Fluctuation in the price of raw materials or shortage in the supply of raw materials used by the Company poses a threat to its revenue and competitive position.
<b>Concentration of customers risk</b>	Dependency on a few large clients also poses a risk to revenue as any fall in the order book number can impact the business negatively.
<b>Regulatory Compliance risk</b>	Regulatory Compliances covering various federal, state, local and foreign laws relating to various aspects of the business operations are complex and non compliances can result in substantial fines, sanctions etc
<b>Operational risk</b>	Functional and Operational risks arising out of various operational processes.
<b>Business Continuity risk</b>	Business Continuity risks arising out of climate change related and other disruptions like natural disasters, IT outages, pandemic, terror and unrest, power, water and other resource disruptions etc. which may challenge or impact our customers business and availability of People and process, Technology and Infrastructure.



# Peer Comparison

Mangalam Organics comparison with major competitor Kanchi Karpooram Ltd

	Mangalam Organics	Kanchi Karpooram
Market Capital	₹ 750 Cr.	₹ 308 Cr.
Current Price	₹ 876	₹ 709
ROCE	49.7%	66.3 %
ROE	40.5%	50.4 %
Promoter holding	54.9%	47.8 %
Sales growth 3Years	12.0%	17.1 %
Profit growth 3Years	22.7%	60.4 %
PEG Ratio	0.15	0.06
Debt to equity	0.03	0.00
OPM % (March 2021)	38%	44%

## Driving Value through Capacity Expansion from 5000 MT to 10,000 MT & Transformation from B2B to B2C

- Company will now be able to produce 10,000 MT per annum of Camphor from present capacity of 5,000 MT per annum with effect from January, 2022. **Increased production capacity will contribute to higher sales for the company. We are expecting Sales of ~ 700 Cr in FY23 from current Sales of ~ 450 Cr in FY22 (E) & 338 Cr in FY21.** Operating margin is going to be in the range of 25-26%.
- **Company is actively transforming their business model from B2B to B2C, which already accounts to 10% of their total revenue,** with vision and proper execution it could take up about 50% revenue share in the near future. Company is tying up with a number of retail brands and e-commerce platforms to augment its B2C business. The pin codes services via e-commerce has jumped from 2500 in FY19 to 9000 in FY21. The co. has entered into metro and wellness forever chains and has entered states through general trade such as Gujarat and Madhya Pradesh.

## Competitive Advantages: Established Market Position & Strong Brand Image

- They have strong financials and ability to fund branding initiatives from earnings of retail. They have some **marquee clients like Asian Paints, Kansai Nerolac Paints, Berger paints, Dabur, Emami, Pidilite, DMart, Reliance Retail, Amazon, Flipkart, etc.**
- The strength of its pine chemical products lies in the fact that they are extracted from natural resources and are devoid of the side effects of synthetic chemicals. **The market performance of these products is not dependent on crude oil and the volatility of its prices.**
- The Synthetic Resins segment was contributing larger revenues with limited profitability. **They have reduced the range of synthetic resins offered and are focusing on those resins where the quality is good and margins healthy.** Although, now this segment contributes a small percentage to the overall revenue, the margins are healthy and the business is sticky.
- In the camphor segment, post completion of the technical projects they will explore downstream derivatives for further revenue growth and attractive margins. Under retail operation the co. not only wants to sell the camphor powder to a third party but also go one step ahead and selectively retail package it for potential large volume Modern Trade accounts or established FMCG brands.

# Future Outlook (Contd.)

- For the year 2021-22, the Company will further continue to look at sustainable growth by focusing on– Increasing domestic and export market share, Increasing efficiency of the Company's present production capacity, Boosting the B2C business.
- Increased competition from global and domestic players is putting pressure on sales prices. Increase in prices of certain raw materials also puts pressure on contribution. However, with global growth of chemicals focused more on Asia, it is expected that there will be further growth in the chemical industry.
- **During the year 2021-22, the Company further expects its investments in various projects to add to the top and bottom-line.**
- The Company will continue with its efforts to improve the bottom line by further increasing efficiency in their existing production capacity, while re-looking at business strategies and models, wherever necessary.
- The severe intensification of the Covid-19 pandemic is carried forward to the FY 2021-22 as well, but the Company is confident that it will catch up for the lost time once the ground reality is normalized. Further, with its continuous efforts on improving efficiencies and margins, barring unforeseen circumstances like the present outbreak of Covid-19, the Company expects to achieve steady results in FY 2021-22.





1. At the time of writing this article, **the analyst has no position in the stock** covered by this report.
2. The analyst has not traded in the recommended stock in the last 30 days.
3. The research analyst does not have any material conflict of interest at the time of publication of the research report.
4. The research analyst has not received any compensation from the subject company in the past twelve months.
5. The research analyst or its associates has not managed or co-managed public offering of securities, has not received any compensation for investment banking or merchant banking or brokerage services nor received any third party compensation. The subject company was not a client during twelve months preceding the date of distribution of the research report.
6. The research analyst has not served as an officer, director or employee of the subject company.
7. The research analyst or research entity has not been engaged in market making activity for the subject company.
8. The research analyst or research entity or its associates or relatives does not have actual/beneficial ownership of one per cent or more in the securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance.
9. The analyst does not own more than 1% equity in the said company.