

Press Release

Union Steels

July 01, 2021



Rating Withdrawn

Total Bank Facilities Rated*	Rs.6.60 crore
Long Term Rating	ACUITE B+ (Withdrawn)

*Refer Annexure for details

Rating Rationale

Acuité has withdrawn the long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) on the Rs.6.60 crore bank facilities of Union Steels (US).

The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating and on account of request received from the company and no objection certificate received from the banker.

About the rated entity

The Kerala-based Union Steels, a proprietorship concern was established in 2007 by Mr. Madhu Bansal. The firm trades in steel products such as pipes, fittings, non-ferrous items among others.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Union Steels to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

Union Steels was established in 2007 and has a track records of 14 years in business. The promoters possesses a decade of experience in the industry. Acuité believes that the firm will continue to benefit from the promoters' experience and established track record of operations in improving its business risk profile over the medium term.

Weaknesses

- **Working capital intensive operations**

Unions Steels's working capital operations are intensive marked by Gross Current Asset days (GCA) of 123 days in FY2020 against 77 days in FY2019 owing to increase inventory and receivable days. The inventory days were recorded at 82 days in FY2020 against 49 days in FY2019. The debtors' days were recorded at 43 days in FY2020 against 26 days in FY2019. Over the medium term, the working capital cycle is likely to remain at similar level.

- **Susceptibility of profitability to volatility in material prices and cyclical in the end user industry**

The margins are susceptible to fluctuations in the steel prices. Moreover, the firm is operating in competitive and fragmented nature of industry. There are several players in both organized and unorganized sector. Thus, the profit margins and sales of the firm remains exposed to inherent cyclical in the steel industry.

Rating Sensitivities

- Improving scale of operations while maintaining profitability.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Adequate

Union Steel has adequate liquidity position as reflected by modest net cash accruals against low repayment obligations. The firm generated cash accruals of Rs.1.83 – Rs.1.12 crore during the last three years through 2018-20.

Outlook: NA

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	51.79	64.39
PAT	Rs. Cr.	1.10	0.44
PAT Margin	(%)	2.12	0.68
Total Debt/Tangible Net Worth	Times	6.26	7.43
PBDIT/Interest	Times	1.59	1.44

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None.

Applicable Criteria

- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
31-Mar-2021	Cash Credit	Long Term	6.50	ACUITE B+ Issuer not co-operating*
	Proposed cash credit	Long Term	0.10	ACUITE B+ Issuer not co-operating*
30-Dec-2019	Cash Credit	Long Term	6.50	ACUITE B+ Issuer not co-operating*
	Proposed Cash Credit	Long Term	0.10	ACUITE B+ Issuer not co-operating*

01-Oct-2018	Cash Credit	Long Term	6.50	ACUITE B+ Issuer not co-operating*
	Proposed Cash Credit	Long Term	0.10	ACUITE B+ Issuer not co-operating*

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE B+ (Withdrawn)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE B+ (Withdrawn)

*The issuer did not co-operate; based on best available information

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About Acuité Ratings & Research:

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