

## Press Release

Unison Metals Limited

November 25, 2020



### Rating Reaffirmed and Assigned

|                                     |  |
|-------------------------------------|--|
| <b>Total Bank Facilities Rated*</b> | Rs. 38.00 Cr.<br>(Enhanced from Rs. 25.00 Cr.) |
| <b>Long Term Rating</b>             | ACUITE BB+/Stable<br>(Reaffirmed)              |
| <b>Short Term Rating</b>            | ACUITE A4+<br>(Reaffirmed)                     |

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 25.00 crore bank facilities of Unison Metals Limited (UML). The outlook is '**Stable**'.

Acuite has also assigned the long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 13.00 crore bank facilities of Unison Metals Limited (UML). The outlook is '**Stable**'.

UML is a Gujarat based company. It is part of the Unison Group (UG) which started its operation in 1990 as a private limited company and subsequently became a public limited company in 1995. UML manufactures hot & cold rolled stainless steel sheets, stainless steel patta for a wide range of industrial applications. It has a rolling capacity of 900 MT per month. It stood at 550 MT per month and was expanded in January 2020. It also has a frit manufacturing unit. It supplies frit to ceramic tile manufacturers.

### Analytical Approach

Acuite has consolidated the business and financial risk profiles of Unison Metals Limited (UML), Mangalam Alloys Limited (MAL) and Chandanpani Private Limited (CPL) together referred to as the 'Unison Group' (UG). The consolidation is in view of the common management, strong operational & financial linkages between the entities. Extent of Consolidation: Full.

### About the Group

UG, is an integrated stainless steel manufacturer based out of Gujarat established in 1988. It has facilities for melting scrap metal to rolling metal sheets. It was established by Mr. Uttamchand Mehta. He has experience of more than three decades in the industry. MAL is the flagship company of the group incorporated in 1988. It has a stainless steel and higher alloy steel melting and processing unit. The product profile includes SS ingots, SS flats, round bars, RCS, bright bars and fasteners. It has manufacturing unit covering 40,000 square meters with an installed capacity of 25000 TPA. UML started its operation in 1990 as a private limited company and subsequently became as a public limited company in 1995. UML manufactures hot and cold rolled stainless steel sheets, stainless steel patta for wide range of industrial applications. It has a rolling capacity of 900 MT per month. It stood at 550 MT per month in the previous year and was expanded to 900 MT per month in January 2020. It also has frit manufacturing unit. It supplies frit to ceramic tile manufacturers. CPL started its operations as a melting unit for UG in 2018, when operations of Universal Metal Company Limited were amalgamated in CPL. It currently has furnace capacity of 1500 MT per month (18000 MT per annum). It now also sells value added products like ingots and flats. These are procured from group entities like MAL on a job work basis.

### Key Rating Drivers

#### Strengths

- **Extensive experience of promoters in the industry, established track record of operations and presence in the industry**

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for melting scrap metal to rolling metal sheets. It was established by Mr. Uttamchand Mehta. He has experience of more than three decades in the industry. UML started its operation in 1990 as a private limited company and subsequently became as a public limited company in 1995. It is promoted by the Mehta family and is currently managed by Mr. Tirth Mehta. He has an experience of almost a decade in the industry and is son of the founder Mr, Uttamchand Mehta. He is also supported by his father who is part of the management. UML manufactures hot and cold rolled stainless steel sheets, stainless steel patta for wide range of industrial applications, primarily in Gujarat. It has a rolling capacity of 900 MT per month. It stood at 550 MT per month in the previous year and was expanded to 900 MT per month in January 2020. Acuite believes that the company will continue to benefit from its experienced management and established track record of the group.

- **Diversified product profile and geographical presence**

The group is an integrated stainless steel manufacturer. It has facilities for melting scrap metal to rolling metal sheets. It has diversified product profile catering to wide range of industrial applications. The products include SS ingots, SS flats, round bars, RCS, bright bars, fasteners, hot and cold rolled stainless steel sheets and stainless steel patta amongst others. It also has frit manufacturing unit catering to ceramic tile manufacturers. The group also has diversified geographical presence. It caters to clients in Mexico, Russia, Turkey and Vietnam. Moreover, it also has a facility based out of Vietnam.

### **Weaknesses**

- **Moderate financial risk profile**

The financial risk profile of UG is moderate marked by moderate net worth and debt protection measures and gearing. The net worth stood at Rs. 92.47 crore as on 31 March, 2020 (Provisional) as against Rs. 84.68 crore as on 31 March, 2019. Gearing stood high at 2.18 times as on March 31, 2020 (Provisional) and March 31, 2019. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.79 times as on 31 March, 2020 (Provisional) as against 3.62 times as on 31 March, 2019. Interest Coverage Ratio (ICR) declined to 2.03 times in FY2020 (Provisional) and 2.59 times in FY2019. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.09 times as on 31 March, 2020 (Provisional) as against 0.12 times as on 31 March, 2019. DSCR declined to 0.98 times in FY2020 (Provisional) against 1.32 times in FY2019.

- **Elongation in working capital cycle**

The group's operations are highly working capital intensive marked by Gross Current Assets (GCA) of 255 days for FY2020 (Provisional) and 206 days for FY2019. Further elongation is observed in the group's receivable and inventory position. The receivable days increased to 111 days in FY2020 (Provisional) against 89 days in FY2019 and inventory holding period increased to 136 days in FY2020 (Provisional) against 108 days in FY2019. This makes the group dependent on bank borrowing for funding its working capital requirement. Bank limits remain almost fully utilized for six month period ended July 2020. Acuite believes any further elongation in the groups working capital position will be a key rating monitorable.

### **Liquidity Position: Stretched**

UG's repayment obligation is expected to be around Rs. 12.00 crore for FY2021 - FY2023 against net cash accruals in the range of Rs.12.88 crore to Rs. 21.00 crore for the same period. The group has working capital intensive nature of operations marked by GCA of 255 days in FY2020 (Provisional) and 206 days in FY2019. This makes it dependent on bank borrowings to manage its working capital requirement. Bank limits are almost fully utilized for the 6 months ended in July 2020. Acuite expects UG's liquidity profile to remain stretched on account of low net cash accruals to repayment obligation cushion in the medium term and fully utilized banklimits.

### **Rating Sensitivities**

- Significant improvement in scale of operations while maintaining profitability will be a key rating sensitivity
- Any elongation of working capital cycle leading to increased dependence on bank borrowings will be a key rating sensitivity.

### **Outlook: Stable**

Acuite believes that UG will maintain a 'Stable' outlook over the medium term on the back of its experienced management and established track record of operations. The outlook may be revised to 'Positive' if UG shows a sustained improvement in its revenue and while maintaining profitability. The outlook may be revised to 'Negative' if UG experiences deterioration in financial risk profile or further elongation in the working capital cycle.

#### About the Rated Group - Key Financials

|                               | Unit    | FY20 (Provisional) | FY19 (Actual) |
|-------------------------------|---------|--------------------|---------------|
| Operating Income              | Rs. Cr. | 433.79             | 474.46        |
| PAT                           | Rs. Cr. | 7.80               | 13.35         |
| PAT Margin                    | (%)     | 1.80               | 2.81          |
| Total Debt/Tangible Net Worth | Times   | 2.18               | 2.18          |
| PBDIT/Interest                | Times   | 2.03               | 2.59          |

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

None

#### Any other information

None

#### Any Material Covenants

None

#### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.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. Crore.) | Ratings/Outlook              |
|-------------|---------------------------------|------------|---------------------|------------------------------|
| 04-Nov-2020 | Cash Credit                     | Long Term  | 13.50               | ACUITE BB+/Stable (Assigned) |
|             | Working Capital Term Loan       | Long Term  | 3.50                | ACUITE BB+/Stable (Assigned) |
|             | Term Loan                       | Long Term  | 5.00                | ACUITE BB+/Stable (Assigned) |
|             | Proposed Bank Facility          | Long Term  | 1.00                | ACUITE BB+/Stable (Assigned) |
|             | Bank Guarantee                  | Short Term | 2.00                | ACUITE A4+ (Assigned)        |

**\*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 | 13.50                       | ACUITE BB+/Stable (Reaffirmed) |
| Working Capital Term Loan        | Not Applicable   | Not Applicable | Not Applicable | 3.50                        | ACUITE BB+/Stable (Reaffirmed) |
| Term loans                       | August 1, 2019   | 11.80%         | July 31, 2021  | 5.00                        | ACUITE BB+/Stable (Reaffirmed) |
| Bank guarantee                   | Not Applicable   | Not Applicable | Not Applicable | 2.00                        | ACUITE A4+ (Reaffirmed))       |
| Proposed Long Term Bank Facility | Not Applicable   | Not Applicable | Not Applicable | 1.00                        | ACUITE BB+/Stable (Reaffirmed) |
| Working Capital Term Loan        | Not Applicable   | Not Applicable | Not Applicable | 4.00                        | ACUITE BB+/Stable (Assigned)   |
| Term Loan                        | 01-Mar-2020      | Not Available  | 01-Mar-2025    | 9.00                        | ACUITE BB+/Stable (Assigned)   |

## Contacts

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### About Acuité Ratings & Research:

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