

Press Release

Chandanpani Private Limited

November 24, 2020



Rating Assigned

Total Bank Facilities Rated*	Rs. 28.00 Cr.
Long Term Rating	ACUITE BB+/Stable (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned 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. 28.00 crore bank facilities of Chandanpani Private Limited (CPL). The outlook is '**Stable**'.

CPL is a Gujarat based company incorporated in 2018. It operates as a melting unit for the Unison Group (UG). CPL began its commercial operations when Universal Metal Company Limited was amalgamated in CPL from FY2018-19. It currently has furnace a capacity of 1500 MT per month (18000 MT per annum). It also sells value-added products like ingots and flats.

Analytical Approach

Acuité 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 a public limited company in 1995. UML manufactures hot and 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 in the previous year and was expanded to 900 MT per month in January 2020. It also has a 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**

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. 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 is a fully owned subsidiary of UML. 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 the son of the founder Mr. Uttamchand Mehta. He is also supported by his father, who is part of the management.

Acuité 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 a diversified product profile catering to a 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 a frit manufacturing unit catering to ceramic tile manufacturers. The group also has a 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.

Acuité 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. Acuité 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 bank limits.

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

Acuité 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

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)

Not Applicable

*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	11.50	ACUITE BB+/Stable (Assigned)
Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB+/Stable (Assigned)
Term Loan	07-Sep-2017	11.80%	01-Jun-2024	1.00	ACUITE BB+/Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	13.50	ACUITE BB+/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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