



## Press Release

**Unison Metal Limited**

July 26, 2021

### Ratings

S. No	Instrument /Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term bank Facility	17.50*	IVR BB+/ Positive Outlook (IVR Double B Plus with Positive outlook)	Assigned
2.	Long Term- Term Loan	10.85	IVR BB+/ Positive Outlook (IVR Double B Plus with Positive outlook)	Assigned
3.	Short Term- Bank Facility	4.00**	IVR A4+ (IVR A Four Plus)	Assigned
	Total	<b>32.35</b>		

\*Includes Rs. 4.00 crores proposed limit

\*\*includes Rs. 2.00 crores proposed limit

Details of Facilities are in Annexure 1.

### Detailed Rationale

The rating assigned to the bank facilities of **Unison Metal Limited** draws comfort from its experienced promoters and top Management along with a reputed clientele and a diversified product profile along with a geographical presence. However, these rating strengths are partially offset by intense competition in the industry and susceptibility to volatility in raw material prices. The Rating also considers the Strong order book position of the firm reflecting satisfactory medium-term revenue visibility.

### Upward Factors

- Increase in total operating income along with a strong order book going into the future



## Press Release

- Maintaining the debt protection metrics with increase in working capital requirements

### **Downward Factors**

- Decline in operating income/ or profitability levels thereby impacting firm's debt coverage indicators.
- Loss of orders or delay in execution time resulting in slower revenue realization

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

- **Extensive promoter experience 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. 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.

- **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.

#### **Key Rating Weaknesses**

**Leveraged capital structure and weak debt coverage indicators**



## Press Release

The capital structure of the group companies marked by overall gearing deteriorated and stood leveraged increased working capital balance, as on March 31, 2021, to fund the day-to-day activities of the business and to purchase inventory. The debt coverage indicators marked by Interest coverage also improved marginally from 1.42x in FY20 to 1.98x in FY21. TD/GCA also remains high at 7.77x in FY21 as against 12.67x in F20. TOL/ANW remains high at 3.22x in FY21 as compared to 3.33x in FY20.

### **Competitive and Fragmented Nature of the industry**

The industry constituting of steel sheets manufacturing is highly fragmented and has very low entry barrier which makes it a very competitive industry. Both organized as well as the unorganized players are competing for the market share. This tends to reduce the pricing capability of the company as the market decides the price of the product.

### **Fluctuations in margins due to volatile raw material prices**

The prices of key raw materials are volatile in nature. Demand-supply dynamics also impact prices. The ability to pass on price risk to customers mitigates the exposure, but the working capital-intensive nature of operations should keep the company exposed to this risk. Even if the company can pass on the extra cost on to the customer, the customers might start preferring other competitors due to higher costs. The company needs to make sure that their costs are kept in check and do not eat into the profits being generated.

### **Analytical Approach: Consolidated Approach**

For arriving at the rating, Infomerics has combined the business and financial risk profiles of Chandanpani Private Limited and Unison Metal Limited moving forward known as Unison Group, as they are in the same lines of business, under the same management.

List of the entities considered for consolidation is furnished in Annexure III.

Extent of consolidation: Full

### **Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)



## Press Release

### Liquidity – Adequate

On a consolidated basis, UG had a GCA of Rs. 6.46 crore in FY21 as against its repayment obligation of Rs. 5.94 crore. The company has a Current Ratio of 1.18x as of March 31, 2021. The free cash & cash equivalent was Rs. 0.81 Crore as on March 31, 2021. Liquidity is expected to remain Adequate.

### About the Company

Unison group 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. 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.

### **Financials (Consolidated):**

For the year ended*/As on	(Rs. crore)	
	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	177.58	161.47
EBITDA	7.54	11.78
PAT	1.27	2.64
Total Debt	48.87	50.19
Adjusted Tangible Net worth	27.13	31.47
EBITDA Margin (%)	4.25	7.29
PAT Margin (%)	0.71	1.62
Overall Gearing Ratio (x)	1.70	1.46

*\*Classification as per Infomerics' standards*

### **Financials (Standalone):**

For the year ended*/As on	(Rs. crore)	
	31-03-2020	31-03-2021
	Audited	Provisional



## Press Release

Total Operating Income	75.88	86.22
EBITDA	4.83	8.25
PAT	0.50	1.72
Total Debt	34.02	34.25
Adjusted Tangible Net worth	17.83	21.10
EBITDA Margin (%)	6.37	9.57
PAT Margin (%)	0.65	1.98
Overall Gearing Ratio (x)	1.79	1.45

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA: Not Applicable**

**Any other information: Nil**

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit	Long Term	17.50*	IVR BB+/ Positive Outlook	-	-	-
2.	Term Loan	Long Term	10.85	IVR BB+/ Positive Outlook	-	-	-
3.	Letter of Credit	Short Term	4.00**	IVR A4+	-	-	-

**\*Includes Rs. 4.00 crores proposed limit**

**\*\*includes Rs. 2.00 crores proposed limit**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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**About Infomerics:**

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities



## Press Release

and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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**Annexure 1: Details of Facilities**





## Press Release

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Cash Credit	-	-	-	17.50*	IVR BB+/ Positive Outlook
Long Term- Term Loan	-	-	-	10.85	IVR BB+/ Positive Outlook
Short Term- Letter of Credit	-	-	-	4.00**	IVR A4+

\*Includes Rs. 4.00 crores proposed limit

\*\*includes Rs. 2.00 crores proposed limit

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/unison-lenders-26jul21.pdf>

### Annexure 3: List of entities considered for consolidated analysis

Group Companies	Extent of Consolidation (%)
1. Chandanpani Private Limited	100%
2. Unison Metal Limited	100%