



## Press Release

### Unison Metal Limited

**September 05, 2024**

#### Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	<a href="#">Complexity Indicator</a>
Long term Bank Facilities	19.19	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR B/Negative; ISSUER NOT COOPERATING* (IVR B With Negative Outlook; ISSUER NOT COOPERATING)	Upgraded & Removed from Issuer Non-Co-operating	Simple
Short term Bank Facilities	23.00	IVR A3 (IVR A Three)	IVR A4/ (INC) (IVR Single A Four with Issuer Non-Cooperating)	Upgraded/ assigned & Removed from Issuer Non-Co-operating	Simple
<b>Total</b>	<b>42.19</b>	<b>(Rupees Forty Two Crores and Nineteen lakhs Only)</b>			

**Details of Facilities/Instrument are in Annexure 1**

**Facility wise lender details are at Annexure 2**

**Detailed explanation of covenants is at Annexure 3**

#### Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has upgrade/assigned the long/Short Term rating to IVR BBB- with a Stable outlook & IVR A3 for the bank loan facilities of Unisons Metals Limited (UML) and removed the ratings from Issuer Not Cooperating category based on adequate information received from the company to review its ratings

The ratings upgraded to the bank facilities of Unisons Metals Limited continue to derive strength from the experienced management team with long track record in the steel industry, improved financial performance in FY23 & FY24 (Refer period April 01, 2023 to March 31, 2024), comfortable financial risk profile, and favourable demand outlook for the steel industry. However, these ratings strengths are partially constrained due to the working capital-intensive nature of operations, geographical concentration risk, volatility in the prices of raw materials and finished goods, and high competition and cyclicity in the steel industry.



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The stable outlook indicates a low likelihood of rating change in the medium term. IVR believes that the Unisons Metals Limited business & financials risk profile will be maintained over the over the medium term considering the overall risk profile of the company.

IVR has principally relied on the consolidated and standalone financial results of Unisons Metals Limited up to FY24(A) (Review Period from April 01, 2023 to March 31, 2024) and three years projected financials till FY27, and publicly available information/ clarifications provided by the company's management.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Substantial and sustained growth in operating income above 350 Crore & improvement in operating margin and cash accrual.
- Improvement in working capital management with improvement in liquidity.
- Improvement in the capital structure with improvement in debt protection metrics on a sustained basis.
- Effective working capital management with improvement in operating cycle and liquidity

#### **Downward Factors**

- Moderation in operating income and/or moderation in cash accrual impacting the debt protection metrics on a sustained basis.
- Stretch in the working capital cycle driven by stretch in receivables, or sizeable capital expenditure weakening the financial risk profile, particularly liquidity.
- Moderation in the capital structure with deterioration in overall gearing to more than 1.5x and deterioration in TOL/TNW to over 2.00x.

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

#### **Key Rating Strengths**



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### **Extensive Experience of Promoters in Stainless Steel Industry**

The Group is one of the leading manufacturers of stainless-steel sheets which finds its application in kitchenware and construction industry along with sodium silicate and frit englobe. Strong track record of business operations for nearly three decades has enabled the Company to gain an in-depth understanding of the market dynamics and cope up with the latest trends in the industry. Over a period of time, the management has built up one of the most trustworthy business empires in the industry. The Board of Directors possess an experience of more than 15 years on an average and are assisted by a professional senior management and marketing team. Thus, strong track record of business operations and rich experience of the management helps in driving the future growth of business by articulating its brand in a way where the customers are attracted towards its reliable and quality products.

### **Improvement in Scale of Operation in FY24**

Total operating Income of the group improved to Rs. 276.74 Crore in FY24 against Rs. 236.92 Crore in FY23. The reason for growth can be attributed to significant increase in production of sodium silicate as the division had commenced in FY 2023 and further expanded in FY 2024. This was further backed by surge in quantum wise sales of stainless-steel sheets as well which mitigated the downfall in sales of frit englobe. However, the Operating margins and profitability margins improved to 6.08% and 1.29% as on March 24 against 4.04% and 0.71% as on March 23. The EBIDTA margins of the Group marked an improvement during FY 2024 on account of economies of scale of operations. PAT margin has marked an improvement in FY 2024 owing to improved EBIDTA margin. It was more than doubled to Rs. 3.58 crs in FY 2024 as compared to FY 2023. Group has achieved a total operating income of Rs. 54.52 Crore as of June 2024 against Rs. 55.31 Crore as on June 2023 representing a constant scale of operation along with a significant improvement of PAT of Rs. 1.31 Crore against a loss of Rs. 2.74 Crore as on June 2023.

**Technical expertise to manufacture diversified product profile used in diverse end-user industries:**



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Unison Group has a diversified product portfolio comprising of stainless steel, sodium silicate and Frit engobe. The company is catering to varied key sectors like Automotive, Chemical, Defence, Machine building, Oil & Gas, Petrochemical, Energy & Power and Railways and so on. This enables the company to reap benefits of conglomeration and considerably insulate itself from any sectoral volatility.

### **Improvement in financial risk profile:**

The Group has a comfortable capital structure on account of adjusted tangible net worth of Rs 49.53 crore as on March 31, 2024 (Rs 39.63 crore as on March 31, 2023). The adjusted overall gearing remains comfortable and stood at 0.87x in FY24 against 1.23x in FY23. Interest coverage stood comfortable at 2.12 times in FY2024. The management has no plans for any capex requirements in the near future thereby paving the way for further improvement in its debt coverage metrics due to lower reliance on long term borrowings.

### **Key Rating Weaknesses**

#### **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 hike 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.

#### **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.

#### **Geographical concentration risk**



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The Group mainly caters to the state of Gujarat, Maharashtra & Rajasthan which contributed more than 90% to its sales in FY24(A). Hence, the group is exposed to geographical concentration risk. However, the company has begun efforts to strengthen its brand presence and grow its sales in other states.

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

For arriving the rating Infomerics has taken consolidated approach as the company has one wholly owned subsidiary namely Chandanpani Private Limited (CPL) controlled by the same management. The consolidation is based on common promoters/ management, similar line of business, cash flow fungibility and strong financial linkages between these entities.

### **Extent of consolidation : Full**

List of companies considered for consolidation/combined analysis is given at Annexure 4

### **Applicable Criteria :**

[Rating Methodology for manufacturing entities](#)  
[Financial Ratios & Interpretation Non- Financial Sector](#)  
[Consolidation of companies](#)  
[Criteria for assigning rating outlook](#)  
[Policy on Default Recognition](#)  
[Complexity Level of Rated Instruments/Facilities](#)

### **Liquidity – Adequate**

The liquidity position of the group remains adequate as cash accruals are expected to remain adequate to meet the repayment obligations. Further, the group had gross cash accruals of INR 7.52 Crore in FY24 against the current maturity of long-term borrowing of Rs. 4.90 Crore in FY24. The overall utilization of the fund-based limits stood moderate at 96.49% during the last 12 months ended July 2024. The current ratio stood at 1.15 times as on 31st March 2024. Cash and Cash equivalent amounted to INR 0.23 Crore.

### **About the Company**



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Unison Metals Limited is an associate company of UCM Group of Industries which started its operations in 1990 as a private limited company and subsequently became a public limited company in 1995. Unison Metals was established by Mr. Uttamchand Mehta.

It manufactures hot & cold rolled stainless steel sheets for wide range of industrial applications. Unison Metals has been selected by Investment & Technology/ Promotion Division of UNIDO (United Nations Industrial Development Organization) for collaboration in the field of stainless-steel sheets, kitchenware, tableware, cutlery, utensils, storage tanks and drums for recognition towards manufacturing of quality products.

### Financials (Consolidated):

For the year ended* As on	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	236.92	276.74
EBITDA	9.57	16.82
PAT	1.69	3.58
Total Debt	48.65	43.27
Tangible Net worth*	29.58	33.15
EBITDA Margin (%)	4.04	6.08
PAT Margin (%)	0.71	1.29
Overall Gearing Ratio (x)	1.98	1.80
ISCR (x)	1.69	2.12

### Financials (Standalone):

For the year ended* As on	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	110.35	149.38
EBITDA	4.82	7.85
PAT	0.62	0.97
Total Debt	28.36	21.02
Tangible Net worth*	18.93	19.87
EBITDA Margin (%)	4.37	5.26
PAT Margin (%)	0.56	0.65
Overall Gearing Ratio (x)	1.72	1.59
ISCR (x)	1.38	1.59

\*as per Infomerics standards

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



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Any other information: : Nil

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 Dated : Jan 10, 2024	Date(s) & Rating(s) assigned in 2022-23 Dated : Dec 07, 2022	Date(s) & Rating(s) assigned in 2022-23 Dated : Oct 03, 2022	Date(s) & Rating(s) assigned in 2021-22 Dated : July 26, 2021
1	Fund Based	Long Term	19.19	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR B/Negative (INC) (IVR single B Negative Outlook with Issuer Non-Co-operating)	IVR B+/(INC) (IVR single B Plus with Issuer Non-Co-operating)	IVR BB/(INC) (IVR Double Bwith Issuer Non-Co-operating)	IVR BB+ (Positive Outlook) (IVR Double B Plus with Positive Outlook)
2	Non-Fund Based	Short Term	23.00	IVR A3 (IVR A Three)	IVR A4 / INC (IVR A Four with Issuer Non-Co-operating)	IVR A4 / INC (IVR A Four with Issuer Non-Co-operating)	IVR A4 / INC (IVR A Four with Issuer Non-Co-operating)	IVR A4+ (IVR A Four Plus)

### Name and Contact Details of the Rating Analyst:

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration



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from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.





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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan			Nov 24 – Feb 27	5.69	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)
Long Term Bank Facilities – Cash Credit			-	13.50	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)
Short Term Bank Facilities – Letter of Credit/Bank Guarantee			-	23.00	IVR A3 (IVR A Three)

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Unison-Metal-sep24.pdf>

**Annexure 3: Detailed explanation of covenants of the rated securities/facilities: Not Applicable**

### Annexure 4: List of companies considered for consolidated analysis :

Name of the Company	Consolidation Approach
Unison Metal Ltd	Full consideration
Chandanpani Private Limited	Full consolidation

**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)