

FEBRUARY 26, 2015

CARE ASSIGNS 'CARE BBB-/CARE A3' THE RATINGS TO THE PROPOSED BANK FACILITIES OF SIGNET INDUSTRIES LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long/Short-term Bank facilities	25.00*	CARE BBB-/A3(Triple 'B' Minus/A Three)	Assigned
Total	25.00*		

***Proposed**

Rating Rationale

The ratings assigned to the bank facilities of Signet Industries Limited draw strength from the long-standing experience of the promoters in polymer and plastic industry, healthy operating margins of SIL's manufacturing division, geographically diversified customer base of its Micro Irrigation Systems business and continuous financial support received from the promoters.

The rating strengths are however, tempered by vulnerability of the company's profitability to volatility in polymer prices and currency fluctuations, geared capital structure and moderate liquidity position on account of highly working capital intensive nature of operations.

SIL's ability to maintain its profitability margin considering the volatility in raw material prices/foreign exchange rate and effectively manage its working capital requirements remain the key rating sensitivities.

Background

Formed in 1984, Signet commenced its business in 1992 as a distributor of polypropylene (PP) in Madhya Pradesh. Subsequently the company also started with the distributorship as well as the merchant trading of different polymers, chemicals and other petrochemical products. During 2011, the company entered into the manufacturing activity and manufactures plastic-moulded products for the Micro Irrigation Segment (MIS) and household use. Its manufacturing facility is located at Pithampur, Madhya Pradesh. Apart from its trading, distribution and manufacturing businesses, the company has also installed windmills with a total capacity of 1.4 megawatts (MW), operating in the states of Maharashtra and Rajasthan.

The trading and distribution segment accounts for about 60 percent of Signet's revenues, followed by the manufacturing segment. The windmill business continues to account for a very nominal share of the company's overall revenues. The entire sales are in the domestic market while imports contribute around 33% of the total raw material/traded goods consumed.

During FY14, (refers to the period April 1 to March 31), SIL achieved total operating income of Rs. 615.78 crore (PY Rs. 571.85 crore) and posted a net profit of Rs. 15.65 crore (PY Rs. 11.93 crore). While during H1FY15, the company posted a net profit of Rs. 7.98 crore on a total operating income of Rs. 315.84 crore.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor 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 in addition to the financial performance and other relevant factors.

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