

MARCH 29, 2016

CARE REVISES THE RATINGS ASSIGNED TO THE BANK FACILITIES OF SIGNET INDUSTRIES LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term / Short-term Bank Facilities	25.00	CARE BBB / CARE A3+ (Triple B / A Three Plus)	Revised from CARE BBB- / CARE A3 (Triple B Minus / A Three)
Total facilities	25.00 (Twenty Five crore only)		

Rating Rationale

The revision in the ratings of the bank facilities of Signet Industries Ltd (Signet) takes into account increase in its scale of operations, improvement in its leverage as on December 31, 2015 and envisaged improvement in its liquidity and debt coverage indicators on the back of refinancing of its term loan.

The ratings continue to be underpinned by Signet's established operations in polymer trading and plastic pipes & fittings manufacturing business, its experienced promoters who have also provided need-based financial support to the company, healthy operating margin of its manufacturing business segment and stable demand outlook for plastic pipes.

The ratings, however, continue to be constrained by its high leverage despite improvement, high working capital intensity of its operations due to presence in the Micro Irrigation Segment (MIS), exposure to volatility in prices of its raw materials that are derivatives of crude oil and its presence in a competitive industry.

Signet's ability to further scale up its operations along with improvement in its profitability margins and capital structure while efficiently managing its working capital requirements shall be the key rating sensitivities.

Background

Incorporated in 1985, Signet is engaged in trading and distribution of polymers such as polypropylene (PP), high density polyethylene (HDPE), poly vinyl chloride resin (PVC), comprising 61% of its total operating income (TOI) during FY15 (refers to the period from April 1 to March 31), and manufacturing of plastic pipes and fittings for MIS and construction and moulded plastic goods for household use and furniture (39% of TOI in FY15). The manufacturing operations commenced in 2011 at its manufacturing facility at Pithampur, Madhya Pradesh, equipped with a capacity of 28,320 MTPA as on March 31, 2015.

Besides, the company also has a wind power generation capacity of 1.4 megawatts (MW) in the states of Maharashtra and Rajasthan.

Signet is also considering buying out the engineering business (for manufacturing of drive shafts for automobiles) of one of its group concerns, viz. Adroit Industries (India) Ltd, through its wholly owned subsidiary (WOS), viz. Adroit Drivelines Ltd, on a slump sale basis.

As per the audited results for FY15, Signet registered a total operating income of Rs.661.79 crore with a profit after tax of Rs.11.70 crore as against a total operating income of Rs.615.78 crore and profit after tax Rs.15.65 crore in FY14.

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

As per the provisional results for 9MFY16, Signet registered a total operating income of Rs.588.94 crore with a profit after tax of Rs.15.28 crore as against a total operating income of Rs.487.08 crore and profit after tax Rs.10.26 crore in 9MFY15.

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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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