APRIL 01, 2016

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

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	151.39	**CARE BBB (Triple B)**	**Assigned**
Long-term / Short-term Bank Facilities	210.00 (enhanced from 25.00)	**CARE BBB / CARE A3+ (Triple B / A Three Plus)**	**Reaffirmed**
Total facilities	**361.39 (Rupees Three Hundred Sixty One crore and Thirty Nine lakh only)**		

Rating Rationale

The ratings of the bank facilities of Signet Industries Ltd (Signet) continue to take 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 also 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.

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

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.

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.

Analyst Contact

Name: Mr Naresh M. Golani
Tel: 079-40265618
Email: naresh.golani@careratings.com

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

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

CONTACT

Head Office Mumbai

Mr. Sanjay Kumar Agarwal
Mobile: + 91 8108007676
E-mail: sanjay.agarwal@careratings.com

Mr. Amod Khanorkar
Mobile: + 91 9819084000
E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Deepak Prajapati
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@careratings.com

CHANDIGARH
Mr. Sajan Goyal
2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Saikat Roy
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 9820998779
Tel: +91-40-4010 2030
E-mail: saikat.roy@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr. Rahul Patni
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-78754 33355
Tel: +91-20- 4000 9000
E-mail:rahul.patni@careratings.com

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