

Signet Industries Limited

May 02, 2019

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-term Bank Facilities	# 80.64 (reduced from 151.39)	CARE BB+; ISSUER NOT COOPERATING* (Double B Plus; ISSUER NOT COOPERATING*)	Issuer not cooperating; Based on best available information
Long-term/ Short-term Bank Facilities	# 60.00 (reduced from 210.00)	CARE BB+/CARE A4+; ISSUER NOT COOPERATING* (Double B Plus/A Four Plus; ISSUER NOT COOPERATING*)	Issuer not cooperating; Based on best available information
Total facilities	140.64 (Rs. One Hundred Forty crore and Sixty Four lakh only)		

#Amount is reduced based on No-Objection Certificate (NOC) received from the lenders

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 30, 2017, placed the rating(s) of Signet Industries Limited (SIL) under the 'issuer non-cooperating' category as SIL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. SIL continues to be non-cooperative despite repeated requests for submission of information through numerous phone calls and emails dated March 15, 2019 and April 16, 2019. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

Detailed description of the key rating drivers

At the time of last rating on June 27, 2018, the following were the ratings strengths and weaknesses (updated for the information available from Stock Exchange):

Key rating Weaknesses

Decline in total operating income

Signet's total operating income (TOI) declined by 2.97% y-o-y to Rs.907.98 crore in FY18 due to decline in revenue from trading activity from Rs.644.12 crore in FY17 to Rs.576.47 crore in FY18. However its TOI for 9MFY19 has increased by 6.87% y-o-y to Rs.722.48 mainly on account of increase in income from manufacturing division in 9MFY19.

Working capital intensive nature of operations

Signet's operations are working capital intensive due to presence in micro irrigation segment (MIS), where large part of revenue is received in the form of subsidies from state governments, leading to very high utilization of its working capital limits.

Volatile raw material prices and forex rates

Signet's profitability remains exposed to volatile prices of its key raw material viz. polymers, since prices of polymers are closely linked to crude oil prices, forex rates and changes in import duty on polymers and hence are inherently volatile.

Liquidity analysis

SIL's liquidity position remained stable with a free cash and bank balance of Rs.20.15 crore as on September 30, 2018. Further, it had cash flow from operations of Rs.20.04 crore during FY18.

Key rating strengths

Established operations and experienced promoters in polymer trading and plastic products business

Signet has established operations of over two decades in polymer trading and has also established a good foothold in the plastic products business, including MIS, with over four decades of experience of its principal promoter in the business.

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

*Issuer did not cooperate; Based on best available information

Improvement in profitability margin

The PBILDT margin of the company improved by 87 bps from 7.20% in FY17 to 8.07% in FY18 due to increase in revenue from manufacturing activity where profitability is relatively high as compared to trading activity. In line with PBILDT level, PAT level of the company also improved marginally from 1.97% in FY17 to 2.03% in FY18. However, on account of increase in its key raw material prices over the past one year, SIL's PBILDT and PAT margin have decreased in 9MFY19 to 7.24% and 1.45% respectively.

Analytical approach: Standalone

Applicable Criteria:

[Policy in respect of Non-cooperation by issuer](#)

[Criteria for Short Term Instruments](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for manufacturing companies](#)

[Financial ratios - Non- Financial Sector](#)

About the Company

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); along with manufacturing of plastic pipes and fittings for MIS and construction segment and moulded plastic goods for household use and furniture. Manufacturing operations of the company commenced in 2011 at its plant in 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.

Brief Financials (Rs. crore)	FY17 (A)	#FY18 (A)
Total operating income	935.78	907.98
PBILDT	67.39	73.29
PAT	18.41	18.47
Overall gearing (times)	1.37	1.45
PBILDT Interest coverage (times)	1.79	1.79

A: Audited; # as per results published on Stock Exchange

As per the provisional result for 9MFY19, SIL registered a PAT of Rs.10.51 crore on a TOI of Rs.722.48 crore as compared with a PAT of Rs.10.05 crore on a TOI of Rs.676.01 crore in 9MFY18.

Status of non-cooperation with previous CRA: ICRA has suspended its rating vide press release dated December 14, 2015 on account of its inability to carry out a rating surveillance in the absence of the requisite information from the company. CRISIL has conducted the review on the basis of best available information and has classified SIL as "Non cooperating" vide its press release dated November 5, 2018.

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: 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.

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of

its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is 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 CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-Fund-based – LT/ST – BG/LC	-	-	-	60.00	CARE BB+ / CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Term loan – Long term	-	-	March 2023	39.47	CARE BB+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-Based-LT-Cash Credit	-	-		37.00	CARE BB+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-Based-LT-Working capital term loan	-	-	March 2017	4.17	CARE BB+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

**Issuer did not cooperate; Based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Non-fund-based - LT/ ST-BG/LC	LT/ST	60.00	CARE BB+ / CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE BB+ / CARE A4+; ISSUER NOT COOPERATING* (27-Jun-18)	1)CARE BB+ / CARE A4+; ISSUER NOT COOPERATING* (12-Sep-17)	1)CARE BBB / CARE A3+; ISSUER NOT COOPERATING* (30-Mar-17) 2)CARE BBB / CARE A3+ (01-Apr-16)
2.	Term Loan-Long Term	LT	39.47	CARE BB+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE BB+; ISSUER NOT COOPERATING* (27-Jun-18)	1)CARE BB+; ISSUER NOT COOPERATING* (12-Sep-17)	1)CARE BBB; ISSUER NOT COOPERATING* (30-Mar-17) 2)CARE BBB (01-Apr-16)
3.	Fund-based - LT-Cash Credit	LT	37.00	CARE BB+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE BB+; ISSUER NOT COOPERATING* (27-Jun-18)	1)CARE BB+; ISSUER NOT COOPERATING* (12-Sep-17)	1)CARE BBB; ISSUER NOT COOPERATING* (30-Mar-17) 2)CARE BBB (01-Apr-16)
4.	Fund-based - LT-Working capital Term Loan	LT	4.17	CARE BB+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE BB+; ISSUER NOT COOPERATING* (27-Jun-18)	1)CARE BB+; ISSUER NOT COOPERATING* (12-Sep-17)	1)CARE BBB; ISSUER NOT COOPERATING* (30-Mar-17) 2)CARE BBB (01-Apr-16)

*Issuer did not cooperate; Based on best available information

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