Signet Industries Limited (Revised)

June 23, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	80.64	CARE B+; ISSUER NOT COOPERATING* [Single B Plus; ISSUER NOT COOPERATING*]	Issuer not cooperating; Revised from CARE BB+; ISSUER NOT COOPERATING* [Double B Plus; ISSUER NOT COOPERATING*] based on best available information
Long-term/Short-term Bank Facilities	60.00	CARE B+/ CARE A4; ISSUER NOT COOPERATING* [Single B Plus/ A Four; ISSUER NOT COOPERATING*]	Issuer not cooperating; Revised from CARE BB+/ CARE A4+; ISSUER NOT COOPERATING* [Double B Plus/ A Four Plus; ISSUER NOT COOPERATING*] based on best available information
Total Facilities	140.64 (Rupees One Hundred Forty crore and Sixty Four lakh only)		

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 Ltd. (SIL) under the 'issuer non-cooperating' category as SIL had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. SIL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated June 5, 2020. 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).

The ratings have been revised due to non-availability of requisite information and non-cooperation by SIL with CARE's efforts to undertake a review of the outstanding ratings along with uncertainty revolving around the performance of the company in light of the outbreak of pandemic.

The ratings continue to remain constrained by SIL's moderate profitability, working capital intensive nature of operations and susceptibility of SIL's profitability to volatility in raw material price and foreign exchange rates.

The ratings, however, derive strength from SIL's experienced promoters as well as established operations and growth in its total operating income during FY19 which however moderated during 9MFY20.

Detailed description of the key rating drivers

At the time of last rating on May 2, 2019, the following were the rating strengths and weaknesses (updated for the published results & filings available from Bombay Stock Exchange and feedback received from lenders):

Key rating Weaknesses

Moderate profitability: During FY19, SIL's operating profit margin declined marginally by 58 bps y-o-y to 7.49% on the back of increase in overhead costs. In line with decline in operating profit margin, PAT margin also declined by 68 bps to 1.36% y-o-y during FY19. However, during 9MFY20, SIL's operating profit margin improved marginally by 61 bps y-o-y; though improvement in PAT margin was restricted to 19 bps y-o-y only, on the back of higher interest cost incurred during 9MFY20.

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

Volatile raw material prices and forex rates: SIL'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 – Stretched: SIL's operations are working capital intensive in nature 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. This resulted in elongated operating cycle of 96 days during FY19. As on September 30, 2019, SIL had cash and bank balance (incl. earmarked deposits with banks) of Rs.19.97 crore. Furthermore, as informed by select lenders, SIL has availed moratorium for its bank facilities which is offered by Reserve Bank of India (RBI) as a covid-19 relief measure.

Key Rating Strengths
Established operations and experienced promoters in polymer trading and plastic products business: SIL 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.

Growth in total operating income (TOI) during FY19; albeit decline in 9MFY20: SIL's TOI registered 8% y-o-y growth during FY19 driven by increase in manufacturing income despite marginal 3% y-o-y decline in trading income. However, TOI moderated marginally by 4% y-o-y during 9MFY20 on the back of decline in trading income which was offset largely by increase in manufacturing income.

Analytical approach: Standalone

Applicable Criteria
Policy in respect of Non-cooperation by issuer
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology - Manufacturing Companies
Financial Ratios - Non Financial Sector

About the Company
Incorporated in 1985, SIL 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 & fittings for micro-irrigation segment (MIS) as well as 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)	FY18 (A)	FY19 (A)
Total operating income	907.06	977.99
PBILDT	73.19	73.29
PAT	18.47	13.28
Overall gearing (times)^	2.08	1.66
Interest coverage (times)	1.78	1.66

A: Audited; ^excluding LC backed creditors

Furthermore, as per 9MFY20 published results, SIL reported a TOI of Rs.693.36 crore and PAT of Rs.11.34 crore as against a TOI of Rs.724.64 crore and PAT of Rs.10.51 crore reported during 9MFY19.
Status of non-cooperation with previous CRA: ICRA has suspended SIL's rating vide press release dated December 14, 2015 on account of its inability to carry out a review 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 February 28, 2020

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

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 B+ / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+ / CARE A4+; ISSUER NOT COOPERATING* on the basis of best available information
Term Loan-Long Term	-	-	March 2023	39.47	CARE B+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based - LT-Cash Credit	-	-	-	37.00	CARE B+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based - LT-Working capital Term Loan	-	-	March 2017	4.17	CARE B+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; ISSUER NOT COOPERATING* on the basis of 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Non-fund-based - LT/ ST-BG/LC	LT/ST	60.00	CARE B+ / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+ / CARE A4+; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BB+ / CARE A4+; ISSUER NOT COOPERATING* (02-May-19)	1)CARE BB+ / CARE A4+; ISSUER NOT COOPERATING* (27-Jun-18)	1)CARE BB+ / CARE A4+; ISSUER NOT COOPERATING* (12-Sep-17)
2.	Term Loan-Long Term	LT	39.47	CARE B+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BB+; ISSUER NOT COOPERATING* (02-May-19)	1)CARE BB+; ISSUER NOT COOPERATING* (27-Jun-18)	1)CARE BB+; ISSUER NOT COOPERATING* (12-Sep-17)

3.	Fund-based - LT-Cash Credit	LT	37.00	CARE B+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BB+; ISSUER NOT COOPERATING* (02-May-19)	1)CARE BB+; ISSUER NOT COOPERATING* (27-Jun-18)	1)CARE BB+; ISSUER NOT COOPERATING* (12-Sep-17)
4.	Fund-based - LT-Working capital Term Loan	LT	4.17	CARE B+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BB+; ISSUER NOT COOPERATING* (02-May-19)	1)CARE BB+; ISSUER NOT COOPERATING* (27-Jun-18)	1)CARE BB+; ISSUER NOT COOPERATING* (12-Sep-17)

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

***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.*

Contact us

Media Contact
Mr. Mradul Mishra
Contact no.: +91-22-6837 4424
Email ID: mradul.mishra@careratings.com

Analyst Contact
Ms. Nikita Goyal
Contact no.: +91-79 4026 5670
Email ID: nikita.goyal@careratings.com

Business Development Contact
Mr. Deepak Prajapati
Contact no.: +91-79 4026 5656
Email ID: deepak.prajapati@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 the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. 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. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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