Signet Industries Limited

June 27, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	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	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	**361.39 (Rs. Three Hundred Sixty One crore and Thirty Nine lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking for information from Signet Industries Limited (SIL) to monitor the ratings vide e-mail communications/letters from October 23, 2017 till June 12, 2018 including email dated April 20, 2018, May 10, 2018, May 17, 2018 & June 12, 2018 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on SIL's bank facilities will now be denoted as **CARE BB+/ CARE A4+; ISSUER NOT COOPERATING*.**

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 take into account SIL's decline in total operating income and working capital intensive nature of operations. The ratings are also constrained by competitive nature of the industry, volatile raw material prices and forex rates. The ratings, however, derive strength from the experienced promoters and improvement in profitability margin.

Detailed description of the key rating drivers

At the time of last rating on September 12, 2017, 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 has declined by 2.97% y-o-y to Rs.907.98 crore due to decline in revenue from trading activity from Rs.641.16 crore in FY17 to Rs.576.47 crore in FY18.

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.

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*
**Issuer did not cooperate; Based on best available information*

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.

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.

Improvement in profitability margin

The PBILDT margin of the company has deteriorated 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 has also improved by 6 bps from 1.97% in FY17 to 2.03% in FY18.

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)	NA	NA
PBILDT Interest coverage (times)	1.79	1.79
PBIT Interest Coverage (times)	1.62	1.63

A: Audited; NA – Not available; # - brief published results on Stock Exchange

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 BB+ (Stable); Issuer Not Cooperating* / CRISIL A4+; Issuer Not Cooperating*" vide press release dated November 07, 2017. *Issuer Not Cooperating based on best available information.

Any other information: Not Applicable

Rating History for 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.

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	-	-	-	210.00	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	-	-		104.00	CARE BB+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-Based-LT-Working capital term loan	-	-	March 2017	7.92	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Non-Fund-based – LT/ST – BG/LC	LT/ST	210.00	CARE BB+ / CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	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)	1)CARE BBB/ CARE A3+ (29-Mar-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* (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	104.00	CARE BB+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	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	7.92	CARE BB+; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	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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