# Signet Industries Limited

November 09, 2020

**Ratings**

| Facilities | Amount (Rs. crore) | Rating[1] | Rating Action |
|---|---|---|---|
| **Long-term Bank Facilities** | - | - | **Reaffirmed at CARE B+; ISSUER NOT COOPERATING* (Single B Plus; ISSUER NOT COOPERATING*) and Withdrawn** |
| **Long-term/ Short-term Bank Facilities** | - | - | **Withdrawn** |
| **Total Facilities** | - | | |

*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.

CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE B+/ CARE A4; ISSUER NOT COOPERATING*' [Single B Plus/ A Four; ISSUER NOT COOPERATING*] assigned to the bank facilities of SIL with immediate effect. The rating withdrawal is at the request of SIL along with client's confirmation stating non-mobilization of funds under proposed facility, and receipt of 'No Objection Certificate', 'No Dues Certificates' and facility takeover letter, from the lenders that have extended the facilities rated by CARE.

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

*The ratings assigned to the bank facilities of SIL, prior to its withdrawal, continued to remain constrained by non-availability of complete requisite information to carry out the review exercise along with SIL's moderate profitability, working capital intensive nature of operations with stretched liquidity and susceptibility of SIL's profitability to volatility in raw material price and foreign exchange rates.*

*The ratings, however, derived strength from SIL's experienced promoters as well as established operations and its moderate scale of operations.*

**Detailed description of the key rating drivers**

*At the time of last rating on June 23, 2020, the following were the rating strengths and weaknesses (updated for the published results & filings available from Bombay Stock Exchange):*

**Key Rating Weaknesses**

***Moderate profitability:*** During FY20, SIL's operating profit (PBILDT) margin remained largely stable at FY19 level with marginal improvement of 32 bps y-o-y on the back of lower raw material cost incurred during the period. In line with this, PAT margin also remained stable at FY19 level with largely stable interest cost and depreciation incurred during the period.

During Q1FY21, though SIL's operating profit margin remained stable on y-o-y basis, it reported net loss of Rs.0.36 crore due to significant decline in scale of operations during the period.

***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. SIL's operating cycle further elongated to 112 days during FY20 from 96 days in FY19 with elongation in both collection and inventory holding period. As on March 31, 2020, SIL had cash and bank balance (incl. earmarked deposits with banks) of Rs.18.77 crore.

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

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

**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.

***Moderate scale of operations:*** During FY20, SIL continued to operate on a moderate scale marked by total operating income (TOI) of Rs.884.78 crore. SIL's TOI declined by 10% y-o-y during the period primarily on account of dip in income in the last quarter of FY20 due to disruption in operations with outbreak of covid-19 pandemic. Furthermore, during Q1FY21 as well, SIL's TOI declined by 40% y-o-y as operations were impacted due to pandemic induced lockdown announced by the government.

**Analytical approach:** Standalone

**Applicable Criteria**

Policy on Withdrawal of ratings
Policy in respect of Non-cooperation by issuer
Criteria for Short Term Instruments
CARE's Policy on Default Recognition
Liquidity Analysis of Non-Financial Sector entities
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) | FY19 (A) | FY20 (A) |
|---|---|---|
| Total operating income | 977.99 | 884.78 |
| PBILDT | 73.29 | 69.11 |
| PAT | 13.28 | 11.79 |
| Overall gearing (times)^ | 1.66 | 1.77 |
| Interest coverage (times) | 1.66 | 1.56 |

*A: Audited; ^excl. LC backed creditors*

Furthermore, as per Q1FY21 published results, SIL reported a TOI of Rs.134.75 crore with a net loss of Rs.0.36 crore as against a TOI of Rs.226.17 crore and PAT of Rs.4.51 crore reported in Q1FY20.

**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 |
|---|---|---|---|---|---|
| Term Loan-Long Term | - | - | March 2023 | 0.00 | Withdrawn |
| Non-fund-based - LT/ ST-BG/LC | - | - | - | 0.00 | Withdrawn |
| Fund-based - LT-Cash Credit | - | - | - | 0.00 | Withdrawn |
| Fund-based - LT-Working capital Term Loan | - | - | March 2017 | 0.00 | Withdrawn |

**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 | - | - | 1)CARE B+ / CARE A4; ISSUER NOT COOPERATING* (23-Jun-20) | 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 | - | - | 1)CARE B+; ISSUER NOT COOPERATING* (23-Jun-20) | 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 | - | - | 1)CARE B+; ISSUER NOT COOPERATING* (23-Jun-20) | 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 | - | - | 1)CARE B+; ISSUER NOT COOPERATING* (23-Jun-20) | 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) |

**Annexure-3: Complexity level of various instruments rated for this Company**

| Sr. No. | Name of the Instrument | Complexity Level |
|---|---|---|
| 1. | Fund-based - LT-Cash Credit | Simple |
| 2. | Fund-based - LT-Working capital Term Loan | Simple |
| 3. | Non-fund-based - LT/ ST-BG/LC | Simple |
| 4. | Term Loan-Long Term | Simple |

***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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**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.



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