



Press Release

Signet Industries Limited

March 29, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities - Term loan	3.25	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Assigned	Simple
Long Term Bank Facilities - Cash Credit	195.00	IVR BBB+/ Stable (IVR Triple B Plus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities - Letter of credit & Bank Guarantee	170.00	IVR A2 (IVR A Two)	Assigned	Simple
Total	Rs.368.25 Crore (Rupees Three Hundred and Sixty- Eight Crore And Twenty Five Lakhs Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Signet Industries Limited derives strength from experienced management and long-standing relationships with the clients, established market position and diversified product portfolio, moderate capital structure. The rating is however constrained on account of weak debt protection metrics and large working capital requirement, competitive and fragmented nature of the industry, vulnerability to volatile raw material prices.

Key Rating Sensitivities:

Upward Factors

- Significant growth in revenue along with healthy profitability and debt protection metrics
- Improvement in TOL/TNW to less than 1.5x.

Downward Factors



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- Any decline in revenue and/or profitability arising out of company/sector specific reasons leading to deterioration of debt protection parameters and/or liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Management and long-standing Relationships with the clients:

The top management consisting of the promoters Mr. Mukesh Sangla, Mr. Saurabh Sangla who have extensive experience in Polymer/ Plastic industry in terms of manufacturing and trading of said products. This has given them a strong understanding of the market dynamics and enabled them to establish healthy relationships with suppliers and customers. The company will continue to benefit from the established relationship with customers which in turn help the company to grow strongly going ahead.

Established market position and Diversified Product Portfolio

The promoters have experience of more than three decades in the PVC pipes industry. Their expertise has helped the company withstand business cycles and establish the brand and market position. The company has an established brand for its pipes namely, “Saurabh Shaktiman” and recently company started building products under the brand name “Aquatherm” where company has been supplying Building Products. The company implements government-backed drip irrigation and sprinkler agricultural systems (MIS). The company executes orders under various Project Segment for manufacturing as per orders similarly it also has more than 2500 touchpoints pan-India of distributors for pipes segment. The company is engaged in manufacturing of plastic goods like HDPE pipes, PVC pipes, PVC fittings, Micro Irrigation Systems, HDPE Sprinkle Pipes, MDPE Gas Pipe, Cable Duct, SWR pipes, CPVC pipes, UPVC pipes and moulded furniture & household products. The company trades PVC resins, Polyolefins, PVC stabilizer, Pet resins and Plasticizers. These pipes can be used in wide variety of applications. The Company is also engaged in windmill power generation.

Moderate capital structure:



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The Company's capital structure is moderate and marginally improving as shown by overall gearing at 1.58x and long-term debt equity ratio of 0.51x and TOL/TNW of 2.69x in FY22. Going forward the Capital structure will tend to improve based on the fact that, the current debt levels will reduce due to repayment and the accruals will be ploughed back in the business augmenting net worth. Also, the management is not planning for any major debt funded capex in the medium term.

Key Rating Weaknesses

Weak debt protection metrics and large working capital requirement

The debt coverage indicators marked by Interest coverage also improved marginally from 1.35x in FY21 to 1.44x in FY22. The DSCR stood below unity at 0.89x in FY22 as against 1.19x in FY21. However, the company is timely servicing its debt obligation from receipt of refunds from government authorities. TD/GCA also remains high at 19 years in FY22 as against 18 years in FY21. The company has large working capital requirement with gross current assets (GCA) of 239 days on back of high debtors and inventory days as on March 31, 2022. The company receives moderate credit period from its suppliers leading to higher dependence on bank limits for meeting its working capital requirement. The average utilization stood at around 95% in last 12-months indicating limited liquidity cushion for the company. The efficient management of the liquidity will remain key monitorable factor.

Competitive and Fragmented Nature of the industry

The industry constituting of steel pipes and manufacturing is highly fragmented and has very low entry barrier which makes it a very competitive industry. Both organized as well as the unorganized players are competing for the market share. This tends to reduce the pricing capability of the company as the market decides the price of the product.

Vulnerability to Volatile raw material prices



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The primary raw material for the company is raw steel whose prices are very volatile in nature. This adversely affects the pricing capability and the operating costs for the company. The effect can be seen across the industry, as the EBITDA margins can vary year-on-year cutting the profitability of the company.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria for assigning rating outlook](#)

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate supported by gross cash accruals (Rs.16.08 Crore in FY22 audited) VAT and GST Incentive Receivables. Further, GCA is expected to increase with increase in scale of operations. The current and quick ratios remained adequate at 1.42x and quick ratio at 0.84x as on March 31, 2022.

About the Company

Signet Industries Limited (SIL) was incorporated on January 29, 1985. Signet Industries Limited is a diversified company that manufactures plastic goods like HDPE pipes, PVC pipes and fittings, and also trades raw ingredients of plastics such as polymers & plastic granules. The Company is also engaged in generation of power through windmills. The manufacturing operations commenced in 2011 at its manufacturing facility located at Madhya Pradesh with installed capacity to manufacture is 54,750 MTPA in March 2020, which further enhanced to 60,750 MTPA as on FY22.

Financials (Standalone)*:

(Rs. Crore)



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For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Audited)
Total Operating Income	826.99	877.26
EBITDA	62.53	61.72
PAT	13.95	8.24
Total Debt	294.66	307.09
Tangible Net worth	187.65	194.25
EBITDA Margin (%)	7.56	7.04
PAT Margin (%)	1.68	0.94
Overall Gearing Ratio (times)	1.57	1.58

*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: Crisil Ratings continues the ratings of bank facilities of Signet Industries Limited in the 'Issuer Not Cooperating' category vide Press Release dated February 28, 2022, due to non-submission of information by the company.

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term Bank Facilities - Term loan	Long Term	3.25	IVR BBB+/ Stable	-	-	-
2.	Long Term Bank Facilities - Cash Credit	Long Term	195.00	IVR BBB+/ Stable	-	-	-
3.	Short Term Bank Facilities - Letter of credit & Bank Guarantee	Short Term	170.00	IVR A2	-	-	-

Name and Contact Details of the Rating Analyst:

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit www.infomerics.com

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term – Fund Based – Term Loan	–	–	September 30, 2023	3.25	IVR BBB+ / Stable
Long term Bank Facilities – Cash Credit	–	–	Repayable on demand	102.00	IVR BBB+ / Stable
Long term Bank Facilities – Cash Credit	–	–	Repayable on demand	61.00	IVR BBB+ / Stable
Long term Bank Facilities – Cash Credit	–	–	Repayable on demand	28.00	IVR BBB+ / Stable
Long term Bank Facilities – Cash Credit	–	–	Repayable on demand	4.00	IVR BBB+ / Stable
Short term Bank Facilities – Letter of Credit	–	–	–	72.00	IVR A2
Short term Bank Facilities – Letter of Credit	–	–	–	22.00	IVR A2
Short term Bank Facilities – Letter of Credit	–	–	–	18.00	IVR A2
Short term Bank Facilities – Letter of Credit	–	–	–	28.00	IVR A2
Short term Bank Facilities – Bank Guarantee	–	–	–	20.00	IVR A2
Short term Bank Facilities – Bank Guarantee	–	–	–	10.00	IVR A2

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Signet-mar23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/ facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com