



Press Release

Signet Industries Limited

May 20, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator (Simple/ Complex/ Highly complex)
Long Term Bank Facilities	195.0 (reduced from 198.25)	IVR BBB+/Stable (IVR Triple B plus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	170.00	IVR A2 (IVR A Two)	Reaffirmed	Simple
Total	365.00 (Rupees three hundred and sixty-five crores only)			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has reaffirmed its rating on bank facilities of Signet Industries Limited (SIL) due to sustained financial performance in FY23. The ratings continue to derive strengths from experienced management & long-standing relationships with the clients, established market position, diversified product portfolio and moderate and capital structure. However, the rating strengths continue to be partially offset due to large working capital requirement, lower profitability margin and competitive & fragmented nature of the industry.

Key Rating Sensitivities:

Upward rating factor

- Significant and sustained growth in revenue along with healthy profitability and debt protection metrics.
- To bring the operating cycle to a comfortable level or maintain with adequate liquidity profile of the company.

Downward rating factor



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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.
- Stretching of working capital cycle.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Experienced Management and long-standing Relationships with the clients:

The top management consists of the promoters, Mr. Mukesh Sangla, Mr. Saurabh Sangla who have extensive experience in PVC 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. SIL will continue to benefit from the established relationship with customers which in turn will help the company to grow strongly going ahead.

Established market position and Diversified Product Portfolio

SIL is a well-diversified and established plastic/polymer business house. With about 38 years' experience in the business, SIL has established a strong standing in various verticals. SIL is a well-known trading and distribution of polymers. SIL distributes/Trades polymers manufactured by Reliance Industries Ltd., DCW Ltd and many other domestic and international polymer producers such ONGC Petro additions Limited (OPaL), Indian Oil Corporation Ltd. (IOCL), Borouge etc.

SIL has been recognized as a preferred choice by several Government bodies and private EPC contractors such as NCC Ltd., Megha Engineering & Infrastructures Limited (MEIL), TATA, Kalpataru, Ion exchange Ltd. etc. for their requirements of high-pressure pipelines. SIL has also diversified in the MDPE pipelines for water and gas and has received repetitive orders from its clients.

SIL has experience of over 13 years in various States and is one of the leaders in the states, namely, Andhra Pradesh, Telangana, Karnataka, Uttar Pradesh. Tamil Nadu, Madhya Pradesh, Haryana, Rajasthan, Chhattisgarh and Maharashtra. SIL is also engaged in direct sales of its products to farmers/other end users.

Moderate capital structure

The SIL's capital structure is moderate and marginally improving as shown by overall gearing at 1.50x and long-term debt equity ratio of 0.40x and TOL/TNW of 2.53x as on 31st



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March,2023. Going forward, the capital structure is expected to improve as supported by repayments and ploughing back of accruals 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

Large working capital requirement

Due to significant receivables and inventory requirements SIL's working capital intensity of operations is at a high level thereby resulting in gross current assets (GCA) of 210 days as on March 31, 2023. SIL receives moderate credit periods from its suppliers leading to higher dependence on bank limits for meeting its working capital requirement. The average utilization stood at around 95% in the last 12-month period indicating limited liquidity cushion for the company. The efficient management of liquidity will remain a key monitorable factor.

Moderate Profitability Margin

The profitability as reflected by PAT margin of 1.28% as on 31st March 2023 stood moderate on account of substantial interest expenses due to the working capital-intensive nature of business. However, in FY24, SIL implemented capex for installation of solar panels on the rooftop of the factory, thereby leading to a reduction in its power cost up to 20%-50% further improving profitability for the company in coming years.

Competitive and Fragmented Nature of the industry

The industry constituting of PVC 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. However, SIL is one of the preferred vendors for executing EPC contracts for various Government schemes.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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



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[Criteria of Rating Outlook | Infomerics Ratings](#)

[Criteria of Default Recognition](#)

Liquidity –Adequate

The liquidity position of the company is expected to remain adequate supported by increasing and sufficient gross cash accruals vis-à-vis debt repayment obligation. The current and quick ratios remained adequate at 1.39x and quick ratio at 0.80x as on March 31, 2023.

About the company:

Indore based Signet Industries Limited (SIL) was promoted by Mukesh Sangla incorporated on January 29, 1985. SIL manufactures plastic goods like HDPE pipes, PVC pipes and fittings, and also trades raw ingredients of plastics such as polymers & plastic granules. SIL 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)

For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	877.26	1017.69
EBITDA	61.72	69.48
PAT	8.24	13.05
Total Debt	307.09	309.02
Tangible Net worth	195.14	206.23
Ratios		
EBITDA Margin (%)	7.03	6.83
PAT Margin (%)	0.94	1.28
Overall Gearing Ratio (x)	1.57	1.50

* 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 April 29, 2023, due to non-submission of information by the company.

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (PR: Mar 29, 2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Cash Credit	Long Term	195.00	IVR BBB+/ Stable	IVR BBB+/ Stable	--	--
2.	Letter of Credit	Short Term	140.00	IVR A2	IVR A2	--	--
2.	Bank Guarantee	Short Term	30.00	IVR A2	IVR A2	--	--

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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
Cash Credit	-	-	-	195.00	IVR BBB+/Stable
Letter of Credit	-	-	-	140.00	IVR A2
Bank Guarantee	-	-	-	30.00	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/le-Signet-Industries-may24.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