

February 16, 2021

## Signet Conductors Private Limited: Ratings reaffirmed and removed from ‘Issuer not cooperating’ category

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based – Cash Credit	15.0	15.0	[ICRA]B+(Stable); reaffirmed and removed from ‘Issuer not cooperating’ category
Fund-based – Term loan	0.91	0.91	[ICRA]B+(Stable); reaffirmed and removed from ‘Issuer not cooperating’ category
Non-fund Based	4.65	4.65	[ICRA]A4; reaffirmed and removed from ‘Issuer not cooperating’ category
Unallocated	0.38	0.38	[ICRA]B+(Stable)/A4; reaffirmed and removed from ‘Issuer not cooperating’ category
<b>Total</b>	<b>20.94</b>	<b>20.94</b>	

\*Instrument details are provided in Annexure-1

### Rationale

ICRA’s ratings reaffirmation takes into account the extensive experience of the promoters of Signet Conductors Private Limited (SCPL) in the conductor industry coupled with its established relationships with its buyers, mainly Bharat Heavy Electricals Limited (BHEL). ICRA’s ratings continue to positively factor SCPL’s healthy revenue visibility as the company has recently renewed its contract with BHEL for the next two years. The rating also factors the insulation of profitability from the adverse fluctuations in raw material prices owing to the presence of price variation clause.

However, the ratings continue to be constrained by weak financial profile characterised by subdued profitability, high leverage and weak coverage indicators. ICRA also notes SCPL’s limited scale of operations in a highly competitive and fragmented conductor manufacturing industry that result in modest economies of scale and moderate profitability indicators. The ratings are further constrained by high client-concentration risk as the top three clients contributed ~96% of the total revenue in FY2020.

The Stable outlook on the [ICRA]B+ rating indicates that SCPL will build upon its scale and will continue to leverage its established relationship with BHEL.

### Key rating drivers and their description

#### Credit strengths

**Established promoters with more than two decades of experience in industry** – The promoters of the company have two decades of experience. SCPL’s long presence in the industry provides it a competitive edge in establishing relationships with its suppliers and customers.

**Healthy revenue visibility** – The company has recently signed a contract with BHEL for the supply of 1,900 MT of paper-insulated conductors over a span of two years, providing healthy revenue visibility in the near to medium term.

**Presence of price variation clause** – The company has price variation clauses with its buyers for raw materials. While ordering, the copper prices are booked by the clients themselves on the basis of prices on London Metal Exchange (LME). Subsequently, the profitability of SCPL remains insulated from any adverse fluctuations in the raw material prices.

### Credit challenges

**Highly competitive and fragmented industry** – The conductor manufacturing industry is highly fragmented and competitive because of low technological complexity of the manufacturing process. This limits the pricing flexibility of smaller players like SCPL.

**Weak financial risk profile** – Overall, the company has a weak financial risk profile characterised by subdued profitability owing to non-value additive nature of the business. The operating profit of SCPL stood at 3.02% in FY2020. The weak financial profile is further characterised by high leverage of 2.62 times and weak interest coverage ratio of 1.31 times as on March 31, 2020. The ratio of total debt-to-operating profit also stood at 5.43 times as on March 31, 2020.

**High client-concentration risk** – The company derives most of its revenues from BHEL. The overall contribution of the top three buyers to the overall revenue in FY2020 was 96%, out of which the revenues contributed by BHEL was 96%. Therefore, overall client-concentration risk is high.

### Liquidity position: Stretched

On account of high utilisation of cash credit limits coupled with limited cash balances, the liquidity is **stretched**. Its liquidity is likely to be further impacted by the commencement of repayment of the term loans availed in FY2021.

### Rating sensitivities

**Positive factors** – The rating maybe upgraded in case of sustained improvement in the scale of the company while maintaining its operating margins. The rating may also be upgraded in case of sustained improvement in interest coverage above 2 times.

**Negative factors** – The rating maybe downgraded in case of sustained decline in the scale and profitability of the company adversely impacting the liquidity.

### Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group Support	Not applicable
Consolidation/Standalone	Standalone

### About the company

SCPL was set up in 1991 by Mr. D.S. Sahni as a private limited company. It manufactures bare and paper-insulated aluminium and copper conductors. These conductors find application in electric motors, power generators and attenuators for transmission and distribution of power. At present, the operations of the company are managed by Mr. G.S. Sahni. The promoters have more than two decades of experience in the industry. Its manufacturing facility is in Rewa, Madhya Pradesh and it has a licensed capacity of 1,800 MTPA.

### Key financial indicators (audited)

IRLStandalone	FY2018	FY2019	FY2020
Operating Income (Rs. crore)	66.46	67.84	57.59
PAT (Rs. crore)	0.28	0.24	0.16
OPBDIT/OI (%)	2.57%	3.11%	3.02%
RoCE (%)	11.93%	14.20%	11.89%
Total Outside Liabilities/Tangible Net Worth (times)	3.65	3.70	3.80
Total Debt/OPBDIT (times)	5.83	4.53	5.43
Interest Coverage (times)	1.37	1.39	1.31
DSCR (times)	1.45	1.14	0.97

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net Worth + Deferred Tax Liability - Capital Work in Progress); DSCR: (PBIT + Mat Credit Entitlements - Fair Value Gains through P&L - Non-cash Extraordinary Gain/Loss)/(Interest + Repayments made during the Year)

Source: Company

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Instrument	Current Rating (FY2021)					Chronology of Rating History for the past 3 years			
	Type	Amount Rated (Rs. crore)	Amount Outstanding as of Feb 12, 2021 (Rs. crore)	Date & Rating in	Date & Rating in	Date & Rating in FY2020	Date & Rating in FY2019	Date & Rating in FY2018	
				Feb 16, 2021	Oct 16, 2020	Aug 30, 2019	Jun 14, 2018	June 05, 2017	
1 Cash Credit	Long-term	15.0	15.0	[ICRA]B+ (Stable)	[ICRA]B+ (Stable); ISSUER NOT COOPERATING	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	
2 Term loan	Long-term	0.91	0.91	[ICRA]B+ (Stable)	[ICRA]B+ (Stable); ISSUER NOT COOPERATING	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	[ICRA]B+ (Stable)	
3 Bank Guarantee	Short-term	4.65	4.65	[ICRA]A4	[ICRA]A4; ISSUER NOT COOPERATING	[ICRA]A4	[ICRA]A4	[ICRA]A4	
4 Unallocated	Long-term/Short-term	0.38	0.38	[ICRA]B+ (Stable)/A4	[ICRA]B+ (Stable)/A4; ISSUER NOT COOPERATING	[ICRA]B+ (Stable)/A4	[ICRA]B+ (Stable)/A4	[ICRA]B+ (Stable)/A4	

### Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

**Annexure-1: Instrument details**

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	15.0	[ICRA]B+(Stable)
NA	Term loan	01/04/2016	NA	31/03/2022	0.91	[ICRA]B+(Stable)
NA	Bank Guarantee	NA	NA	NA	4.65	[ICRA]A4
NA	Unallocated	NA	NA	NA	0.38	[ICRA]B+(Stable)/A4

**Source:** Company

*Annexure-2: List of entities considered for consolidated analysis: Not applicable*

## ANALYST CONTACTS

**K. Ravichandran**  
+91 4445964301  
[ravichandran@icraindia.com](mailto:ravichandran@icraindia.com)

**Manish Ballabh**  
+91 124 4545812  
[manish.ballabh@icraindia.com](mailto:manish.ballabh@icraindia.com)

**Nishant Misra**  
+91 124 4545862  
[nishant.misra@icraindia.com](mailto:nishant.misra@icraindia.com)

**Gaurav Singla**  
+91 124 4545366  
[gaurav.singla@icraindia.com](mailto:gaurav.singla@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**  
+91 80 4332 6401  
[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited



### Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50



### Branches



© Copyright, 2021 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.