

Press Release

Signora Texport Private Limited

June 18, 2019



Rating Upgraded

Total Bank Facilities Rated*	Rs.10.00 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating to '**ACUITE B-**' (**read as ACUITE B minus**) from '**ACUITE D**' (**read as ACUITE D**) and short term rating to '**ACUITE A4**' (**read as ACUITE A four**) from '**ACUITE D**' (**read as ACUITE D**) to the Rs.10.00 crore bank facilities of SIGNORA TEXPORT PRIVATE LIMITED (STPL). The outlook is '**Stable**'.

The upgrade in the rating considers curing of consistent overdrawing in the cash credit account with an improvement in the profitability and working capital cycle.

Incorporated in 1994, STPL is engaged in manufacturing of ingots at Silvassa. In June 2014, the business of STPL was taken over by Mr. Manish Gupta, MR. Pradeep Mishra, Ms. Archana Garg and Mr. Virendra Yadav (from Mr. Ajay Singhal, Mr.U.K. Singhal, Mr. U.S. Agarwal and Mrs. Sujata Agarwal)

Analytical Approach

Acuité has considered standalone business and financial risk profile of STPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations:**

STPL has been in ingots business for more than two decades. Further, the promoters have extensive experience of more than a decade in steel and iron industry. The long track record of operations has led to established relationship with customers and suppliers.

Weaknesses

- **Margins susceptible to raw material price fluctuation and intense competition:**

The margins of STPL are susceptible to raw material price fluctuations as steel is its major raw material. Operating margins have an uneven trend inspite of consistent growth in topline over the last three years under study. The margin is fluctuating as reflected in EBITDA of 2.65 percent in FY19 (Prov), 4.21 percent in FY18 and (2.11) percent in FY17. The margin is changed depending on the market conditions and to steer off stiff competition from organised and unorganised player.

- **Moderate financial risk profile:**

The company has moderate financial risk profile marked by moderate gearing of 0.70 times as on March 31, 2019 (Prov) as compared to 0.71 times as on March 31, 2018. The net worth of Rs.10.69 crore as on March 31, 2019 (Prov) consist quasi equity of Rs. 14.34 crore, reserves of Rs. (4.15) crore and equity share capital of Rs.0.50 crore. The negative reserves are on account of accumulated losses over the previous years. The interest coverage ratio stood moderate at 1.26 times as on March 31, 2019 (Provisional). TOL/TNW stood moderate at 1.16 times as on March 31, 2019 (Provisional). The total debt of Rs.7.48 crore as on March 31, 2019 consists entirely working capital borrowing.

Acuité believes that absence of significant debt funded capex plans and improvement in margins are expected to support the financial risk profile in near to medium term.

Liquidity Position:

The company has stretched liquidity position due to higher blockage of fund in inventory. The company maintains inventory of ~100 days resulting in high working capital requirement. However, the company has comfortable collection period ranging from 15-30 days. This is further supported by creditors of ~70 days. Further, the bank limit stood at 100 percent utilisation level over the last 6 months under study. The company has generated net cash accruals of Rs.0.26 crore in FY19 (Provisional) as against nil debt obligations. The current ratio stood moderate at 1.06 times as on March 31, 2019 (Provisional).

Outlook: Stable

Acuité believes that STPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its established track record of operations. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	46.94	32.33	25.45
EBITDA	Rs. Cr.	1.24	1.36	(0.54)
PAT	Rs. Cr.	0.02	(0.37)	(1.28)
EBITDA Margin	(%)	2.65	4.21	(2.11)
PAT Margin	(%)	0.03	(1.13)	(5.04)
ROCE	(%)	6.31	7.16	(4.61)
Total Debt/Tangible Net Worth	Times	0.70	0.71	0.72
PBDIT/Interest	Times	1.26	1.29	(0.45)
Total Debt/PBDIT	Times	5.97	5.49	(15.22)
Gross Current Assets (Days)	Days	114	189	221

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
19-Nov-2018	Cash Credit	Long Term	8.00	ACUITE D (Indicative)
	Letter of Credit	Short Term	2.00	ACUITE D (Indicative)
26-Sep-2017	Cash Credit	Long Term	8.00	ACUITE D (Indicative)

	Letter of Credit	Short Term	2.00	ACUITE D (Indicative)
16-June-2016	Cash Credit	Long Term	8.00	ACUITE D (Downgraded from ACUITE C)
	Letter of Credit	Short Term	2.00*	ACUITE D (Downgraded from ACUITE A4)
27-Mar-2015	Cash Credit	Long Term	8.00	ACUITE C (Assigned)
	Letter of Credit	Short Term	2.00*	ACUITE A4 (Assigned)

*Includes Letter of Guarantee (performance) as a sublimit to the extent of Rs.0.65 crore.

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50 (reduced from Rs.8.00 Cr)	ACUITE B- / Stable (Upgraded from ACUITE D)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 (Upgraded from ACUITE D)
Proposed facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE B- / Stable (Upgraded from ACUITE D)

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About Acuité Ratings & Research:

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