

Press Release

Signet Garments Private Limited

September 20, 2018

Rating Assigned & Reaffirmed



Total Bank Facilities Rated*	Rs. 8.50 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 8.10 crore bank facilities of Signet Garments Private Limited.

Acuite has assigned the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 0.40 crore bank facilities of Signet Garments Private Limited (SGPL). The outlook is '**Stable**'.

SGPL is a leading fashion garment manufacturer specialized in high volume garment manufacturing. With Over 15 years of experience in garment manufacturing and allied services, SGPL has worked with some of the best apparel brands in the world.

Key Rating Drivers

Strengths

- **Experienced management**

SGPL was incorporated by Mr. Rahul Chawla in 2004. The company manufactures and exports garments to international brands. It is a 100 percent export oriented unit. The promoters hold more than a decade of experience which has helped the company in establishing good relations with clients.

- **Reputed clientele**

The company exports their manufactured garments to reputed brands all over the world such as Next (UK), FCUK, IKKS, Shop Direct and Debin Hams. The company has over the years worked with global brand leaders such as GAP, ZARA, H&M, BMW, North Strong and Macy's among others.

Weaknesses

- **Average financial risk profile with modest scale of operations**

The company has been incorporated in 2004 but still operates on a modest scale of operations. The financial risk profile is moderate marked by adjusted tangible net worth at Rs. 3.92 crore as on 31 March, 2018 (Provisional) as against Rs.3.39 crore in the previous year. SGPL's gearing stood high at 3.44 times as on 31 March, 2018 (Provisional) as compared to 3.28 times in the previous year. The company has comfortable interest coverage ratio for the period under study and stood at 3.35 times in FY2018 (Provisional) as compared to 3.76 times in FY2017. ROCE stood at 8.30 percent in FY2018 (Provisional) as compared to 9.12 percent in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood at 4.42 times as on 31 March, 2018 (Provisional) as against 4.26 times in the previous year. Acuite believes that scaling up of operations while maintaining the company's profitability will remain a key rating sensitivity.

- **Working capital intensive operations**

The operations are working capital intensive marked by high Gross Current Assets (GCA) of 204 days in FY2018 (Provisional) and 135 days in FY2017; they are expected to be at similar levels due to the time taken for the raw materials to process for becoming a finished garment and maintenance of inventory for increasing volumes. The inventory days over the past three years have been high at about 120 days and receivable days are around 28 days (Provisional).

• Highly competitive and fragmented industry

The company operates in a highly competitive and fragmented industry and faces tough competition from various established players in the industry which can have an impact on the negotiating powers with the clients and in turn affect the margins.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SGPL to arrive at this rating.

Outlook: Stable

Acuite believes that the outlook on SGPL will remain 'Stable' over the medium term on account of its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case the company maintains its financial risk profile and profitability while effectively managing its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of decline in net cash accruals, deterioration in the financial and liquidity profile due to higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	26.05	29.49	27.10
EBITDA	Rs. Cr.	1.97	1.86	1.72
PAT	Rs. Cr.	0.53	0.50	0.46
EBITDA Margin	(%)	7.57	6.30	6.36
PAT Margin	(%)	2.03	1.69	1.70
ROCE	(%)	8.30	9.12	7.92
Total Debt/Tangible Net Worth	Times	3.44	3.28	3.48
PBDIT/Interest	Times	3.35	3.76	4.01
Total Debt/PBDIT	Times	6.47	5.69	5.80
Gross Current Assets (Days)	Days	204	135	183

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
29-Jul-2017	Packing Credit	Short Term	INR 5.5	ACUITE A4
	Bills Discounting	Short Term	INR 1.5	ACUITE A4
	Letter of Credit	Short Term	INR 1.5	ACUITE A4
07-Jun-2016	Packing Credit	Short Term	INR 3.5	ACUITE A4
	Bills Discounting	Short Term	INR 1	ACUITE A4
	Proposed Bank Facility	Short Term	INR 3	ACUITE A4
	Letter of Credit	Short Term	INR 1	ACUITE A4

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE A4 (Reaffirmed)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE A4 (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.21	ACUITE B+ / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	0.19	ACUITE B+ / Stable (Assigned)

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About Acuité Ratings & Research:

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