April 06, 2017

Singer India Limited

Instrument*	Rated Amount (in Rs. crore)	Rating Action
Fund Based Limits – Cash Credit	7.00 (enhanced from 4.50)	[ICRA]BBB; upgraded from [ICRA]BBB-; outlook ‘Stable’
Non Fund Based Limits – Letter of Credit/Bank Guarantee	13.00 (enhanced from 6.50)	[ICRA]A3+; upgraded from [ICRA]A3
Total	**20.00**	

**Instrument Details are provided in Annexure-1*

Rating Action

ICRA has upgraded the long-term ratings for the Rs. 7.00 crore (enhanced from Rs 4.50 crore) fund based limits from [ICRA]BBB- (pronounced ICRA triple B minus) to [ICRA]BBB (pronounced ICRA triple B) ICRA has also upgraded its short-term rating from [ICRA]A3 (pronounced ICRA A three) to [ICRA]A3+ (pronounced ICRA A three plus) for the Rs. 13.00 crore (enhanced from Rs 6.50 crore) non fund based limits of Singer India Limited (SIL). The outlook on the long term rating is “Stable”.

Rationale

The ratings upgrade takes into account the sustained improvement in SIL’s scale of operations with operating income recording a 17% yoy growth at Rs 281.34 crore in 9M FY2017 vis a vis Rs 239.73 crore in 9M FY2016 aided by expansion in product portfolio. The upgrade also takes into account the increase in the market share of the company in the Indian sewing machine market over the last three years and also the growth in the home appliances segment alebeit on a small base. On the basis of its brand recall, the volumes in the home appliances segment is growing wherein the company is following the asset light model through outsourced contract manufacturing with back to back warranty with the vendors for major defects.

The ratings continue to factor in SIL’s established brand name in the sewing machine industry, the company’s widespread distribution base and operational as well as technical support from the parent company, Singer Asia Limited. Also, SIL has a comfortable financial risk profile evident due to limited debt levels resulting in healthy debt coverage indicators despite low margins. The debt levels are likely to increase going forward on account of higher working capital requirements in the home appliances segment. . The ratings, however, are constrained by the low low profitability margins and intense competition especially in the home appliances segment. ICRA also takes into account the vulnerability of SIL’s profitability to any adverse variations in raw material/traded goods prices. The ability of the company, to register a sustained improvement in scale, along with improved profitability while efficiently manage its working capital requirements, will be the key rating sensitivities.

Key rating drivers

Credit Strengths

- Part of the Singer group that invented the sewing machine in 1851; technical and operational support from holding company
- Decades of experience in the Sewing Machine Industry in India with an established brand name, market share and widespread distribution network
- Current financial profile is characterized by almost debt free status resulting in healthy coverage indicators despite low margins

Credit Weakness

- Significant product concentration from sewing machines where in the demand is growing at slow pace
- Working capital requirements of the company likely to increase with increased share of home appliances
- High competition in the sewing machine as well as home appliances business limiting the margins

Description of key rating drivers highlighted above:

Singer India Limited (SIL) has been marketing sewing machines both under the trademark ‘Singer’ and ‘Merritt’. SIL is a licensee of these trademarks and has entered into an agreement with SAL granting it the rights to use these trademarks in India in return for a royalty of 1% of external sales per quarter to the latter. Singer maintains international level of quality by standardizing certain specifications across countries.

The sales mix of SIL continues to comprise majorly sewing machines however the share of home appliances in the overall sales mix has been increasing (from 7% in FY13 to 21% in 9M FY17) leading to some diversification in the product portfolio. During 9M FY16, sewing machines constituted for ~79% of the overall sales vis-à-vis 93% in FY13. Despite the stagnant sewing machines industry in India, the company’s sewing machine segment has grown at a CAGR of 18% from Rs 152.90 crore in FY12 to Rs 251.86 crore in FY15 and also at a yoy growth rate of 8% from 9M FY16.

The Company’s revenue share from the small appliances segment has increased at a CAGR of 46% from Rs 12.8 crore in FY13 to Rs 57.64 crore in 9M FY17 and also shown a 77% yoy growth from Rs 32.51 crore in 9M FY16. The company was able to achieve a yoy growth of 85% in 9M FY17 over the previous year. Some of the major products that SIL sells under the home appliances segment include Mixer grinder (27%) cooler (14%), dry iron (11%) ad Geyser (10%). SIL provides after sales service for appliances at all their retail stores and warranty extended varies from product to product although it is in the range of 1-2 years. The company is creating 1-1.5% of total sales as warranty provision. In FY2016, the provision creased was ~Rs. 3.70 crore. The warranty related expenses are very low for sewing machines while provision is being created. The company does not have large advertisement budget. The company will continue to undertake digital marketing which is cost effective and target the right customers

About the Company:

SIL was incorporated in 1977 as Indian Sewing Machine Company Limited, which was the Indian Branch of Singer Sewing Machine Company, U.S.A. It is engaged in the assembling and trading of sewing machines and home appliances. The company has been marketing sewing machines under the trademarks, 'Singer' and 'Merritt'. The manufacturing plant has a capacity of 72,000 units per annum.

As per the provisional numbers, in 9M FY2017, SIL reported a net profit of Rs. 6.66 crore on an operating income of Rs. 281.34 crore, as against a net profit of Rs. 5.98 crore on an operating income of Rs. 239.73 crore in 9M FY2016.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Table: Rating History

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. crore)	Month-year & Rating	Month- year & Rating in FY2017	Month- year & Rating in FY2016	Month- year & Rating in FY2015
				April 2017	April 2016	May 2015	April 2014
1	Cash Credit	Long-term	7.00	[ICRA]BBB (Stable)	ICRA]BBB- (Stable)	ICRA]BB+ (Stable)	[ICRA]BB (Stable)
2	Non Fund Based Limits	Short Term	13.00	[ICRA]A3+	[ICRA]A3	[ICRA]A4+	[ICRA]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

Annexure-1

Details of Instrument

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Cash Credit	-	-	-	7.00	[ICRA]BBB (Stable)
Non Fund Based Limits	-	-	-	13.00	[ICRA]A3+

Source: SIL

Name and Contact Details of the Rating Analyst(s):

Sabyasachi Majumdar
sabyasachi@icraindia.com
+91-124-4545 304

Manish Ballabh
manish.ballabh@icraindia.com
+91-124-4545 812

Sukriti Kapoor
Sukriti.kapoor@icraindia.com
+91-124-4545 327

Amit Arora
amita@icraindia.com
+91-124-4545 318

Name and Contact Details of Relationship Contacts:

Jayanta Chatterjee
+91 80 4332 6401
jayantac@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**

Registered Office
ICRA Limited
1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office
Mr. Vivek Mathur
Mobile: +**91 9871221122**
Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 3rd Floor, Electric Mansion Appasaheb Marathe Marg, Prabhadevi Mumbai—400025, Board : +91-22-61796300; Fax: +91-22-24331390	**Kolkata** **Mr. Jayanta Roy** Mobile: **+91 9903394664** Email: jayanta@icraindia.com A-10 & 11, 3rd Floor, FMC Fortuna 234/3A, A.J.C. Bose Road Kolkata—700020 Tel +91-33-22876617/8839 22800008/22831411, Fax +91-33-22870728
Chennai **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 5th Floor, Karumuttu Centre 634 Anna Salai, Nandanam Chennai—600035 Tel: +91-44-45964300; Fax: +91-44 24343663	**Bangalore** **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 'The Millenia' Tower B, Unit No. 1004,10th Floor, Level 2 12-14, 1 & 2, Murphy Road, Bangalore 560 008 Tel: +91-80-43326400; Fax: +91-80-43326409
Ahmedabad **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 907 & 908 Sakar -II, Ellisbridge, Ahmedabad- 380006 Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-79-25569231	**Pune** **Mr. L. Shivakumar** Mobile: +**91 9821086490** Email: shivakumar@icraindia.com 5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range Hills Road, Shivajinagar,Pune-411 020 Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231
Hyderabad **Mr. Jayanta Chatterjee** Mobile: +**91 9845022459** Email: jayantac@icraindia.com 4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj Bhavan Road, Hyderabad—500083 Tel:- +91-40-40676500	