November 01, 2017

Singer India Limited

Summary of rated instruments

Instrument*	Rated Amount (Rs. crore)	Rating Action
Fund-based – Cash Credit	13.00 (enhanced from 7.00)	[ICRA]BBB (Stable) assigned/outstanding
Non Fund-based	17.00 (enhanced from 13.00)	[ICRA]A3+ assigned/outstanding
Total	**30.00**	

*Instrument details are provided in Annexure-1

Rating action

ICRA has assigned a long-term rating of [ICRA]BBB (pronounced as ICRA triple B) to the Rs. 13-crore (enhanced from Rs. 7.00-crore) long-term fund-based bank lines of Singer India Limited (SIL). The outlook on the long term rating is Stable. ICRA has also assigned a short-term rating of [ICRA]A3+ (pronounced as ICRA A three plus) to the Rs. 17-crore (enhanced from Rs. 13.00-crore) short-term non fund-based bank lines of SIL.

Rationale

ICRA's ratings continue to take into account the sustained improvement in SIL's scale of operations with operating income registering a 17% yoy growth at Rs 281.34 crore in 9M FY2017 vis a vis Rs 239.73 crore in 9M FY2016. Also, the Company's OI grew by 2% in Q1FY2018 to Rs. 98.16 crore compared to Rs. 95.82 crore in the corresponding period of previous year aided by expansion in product portfolio. Further, the ratings takes into account its established market position in the Indian sewing machine market as well as growing home appliances segment albeit 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 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

- **Decades of experience in the sewing machine industry in India with an established brand name, market share and widespread distribution network –**The company is engaged in the business from 1977 years and is a part of the Singer group which has been in the industry for more than 100 years and has a strong market share. With the parent company being an established brand in the global market boosts the company's bargaining power over its suppliers and its overall distribution network.
- **Technical and operational support from Singer group -** Singer maintains international level of quality by standardizing certain specifications across countries. All machines and machine spares and parts are imported from approved vendors at group level. The holding company provides technical and operational support in terms of the product development.
- **Healthy financial risk profile as characterised by favourable capital structure and strong coverage indicators-** SIL's capital structure remained healthy as on March 31, 2017 with overall gearing level at 0.07 times. Owing to the healthy capital structure the coverage indicators are strong as reflected by interest coverage of 150.37 times as on FY2017 end vis-à-vis 40.46 times as on FY2016 end

Credit weaknesses

- **Significant product concentration from sewing machines -** Majority of the revenues of the company continue to be driven by the sewing machines segment (79% of the total revenues in FY2017). High dependence on single product line increases the vulnerability the company to risk of product obsolescence/substitutes
- **Working capital requirements of the company likely to increase with increased share of home appliances-** As the company's focus is on the home appliances segment, increasing the warehousing requirements for the company in the near future .Since company needs to stock the finished goods, the peak working capital requirements has increased and is likely to increase in the future as well.
- **High competition in the sewing machine as well as home appliances business limiting the margins-** With the presence of large number of players the company faces competition for specific products / categories from the established player especially in the home appliances segment where it is small player. The high competition in the sewing machine as well as home appliances business keeps the margins in check.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below**.**

Links to applicable criteria:
Corporate Credit Rating Methodology

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.

Key Financial Indicators

	FY2016	FY2017
Operating Income (Rs.	239.73	373.00
PAT (Rs. crore)	5.98	8.06
RoCE (%)	32.42%	27.03%
Total Debt/ OPBDIT	0.00	0.07
Interest coverage (times)	40.46	150.37
NWC/ OI (%)	4%	9%

OI: Operating Income; 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);
NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years:

S. No.	Instrument	Current Rating (FY2018)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2016	Date & Rating in FY2015
					November 2017	April 2017	April 2016	May 2015
1	Cash Credit	Long Term	13.00	13.00	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	ICRA]BBB- (Stable)	ICRA]BB+ (Stable)
2	Non Fund Based Limits	Short Term	17.00	17.00	[ICRA]A3+	[ICRA]A3+	[ICRA]A3	[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

<u>Instrument Details</u>

ISIN No	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
	Cash Credit	-	-	-	13.00	[ICRA]BBB (Stable)
	Non Fund Based Limits	-	-	-	17.00	[ICRA]A3+

Source: the company

Contact Details

Analyst Contacts

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

Relationship Contact

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	