Singer India Limited

April 20, 2018

Summary of rated instruments

Instrument	Previous Rated Amount(Rs. crore)	Current Rated Amount(Rs. crore)	Rating Outstanding
Fund-based - Working Capital Facilities	17.00	20.00	[ICRA]BBB (Stable); Outstanding
Non-fund based Limits	17.00	14.00	[ICRA]A3+; Outstanding
Total	**34.00**	**34.00**	

Rating action

ICRA has long-term rating of [ICRA]BBB (pronounced ICRA triple B) and short term rating of [ICRA]A3+ (pronounced ICRA A three plus) outstanding on the Rs. 34 crore bank limits of Singer India Limited (SIL). The outlook on the long term rating is 'Stable'. The fund based limits of the company have been enhanced from Rs. 17 crore to Rs. 20 crore and the non-fund based limits have been reduced from Rs. 17 crore to Rs. 14 crore.

Rationale

ICRA's ratings takes into account the sustained improvement in SIL's scale of operations with operating income registering a 12% a growth at Rs 314.11 crore in 9M FY2018 vis a vis Rs 281.34 crore in 9M FY2017 aided by expansion in product portfolio. Further, the ratings continue to take into account SIL's 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, 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 though the creditor level remains high. The working capital requirements are likely to increase further on account of the growth 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 company's ability to register a sustained improvement in scale, along with improved profitability while efficiently managing its working capital requirements, will be the key rating sensitivities.

Outlook: Stable

ICRA believes SIL will continue to benefit from its established market position and maintain its market share in the sewing machines industry. The outlook may be revised to 'Positive' if substantial growth in revenue and profitability, strengthing the financial risk profile. The outlook may be revised to 'Negative' if cash accruals is lower than expected, or stretch in the working capital cycle, weakens liquidity.

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 involved in the sewing machine business from 1977 and has a healthy market share. SIL has established distribution network as well as after sales service network which strengthens its market position.

Technical and operational support from Singer group - SIL is a part of Singer Group which has been in the industry for more than 100 years. SIL has access to the technical knowledge of the parent company and gets product support as well as technical support.

Healthy financial risk profile as characterised by favourable capital structure and strong coverage indicators- Owing to the healthy capital structure the coverage indicators are strong as reflected by interest coverage of 156.02 times as on FY2017 end vis-à-vis 40.46 times as on FY2016 end despite the low operating margin

Credit challenges

Significant product concentration from sewing machines - Majority of the revenues and profits of SIL continue to be driven by the sewing machines segment (73% of the total revenues in 9M FY2018). High dependence on single product line increases the vulnerability the company to risk of product obsolescence/substitutes

Working capital requirements up with increased share of home appliances - As the company's focus is on the home appliances segment, there is increasing need for 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.

Intense competition in the sewing machine as well as home appliances business, limiting margins - With the presence of a large number of players the company faces competition for specific products / categories from the other established players in the home appliances segment where it is small player. The 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 the Singer Sewing Machine Company, U.S.A. It is involved in the assembling and trading of sewing machines and home appliances. The company has been marketing sewing machines under the trademarks, 'Singer' and 'Merritt'.

Key financial indicators

	FY 2016 9M	FY 2017 12M
Operating Income (Rs. crore)	239.73	373.41
PAT (Rs. crore)	5.98	8.06
OPBDIT/ OI (%)	3.49%	3.01%
RoCE (%)	32.41%	27.03%
Total Debt/ TNW (times)	0.00	0.07
Total Debt/ OPBDIT (times)	-	0.29
Interest Coverage (times)	40.46	156.02
NWC/ OI (%)	4%	9%

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	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 FY2017	Date & Rating in FY2016	Date & Rating in FY2015
					April 2018	April 2018	November 2017	April 2017
1	Fund- based- Working Capital Facilities	Long - Term	20.00	-	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
2	Non Fund Based Limits	Short - Term	14.00	-	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+

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: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund- based- Working Capital Facilities	NA	NA	NA	20.00	[ICRA]BBB(Stable)
NA	Non Fund Based Limits	NA	NA	NA	14.00	[ICRA]A3+

Source: Singer India Limited

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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

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