Singer India Limited

January 14, 2019

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term - Fund Based/ CC	20.00	-	-
Long Term / Short Term - Fund Based	-	25.00	[ICRA]BBB (Stable)/[ICRA]A3+; assigned
Short Term - Non Fund Based	14.00	19.00	[ICRA]A3+; assigned/outstanding
Total	**34.00**	**44.00**	

*Instrument details are provided in Annexure-1

Rating action

ICRA has assigned the long-term rating of [ICRA]BBB (pronounced ICRA triple B) and the short-term rating of [ICRA]A3+ (pronounced ICRA A three plus) to the Rs. 44.00-crore (enhanced from Rs. 34.00 crore) bank facilities of Singer India Limited (SIL)[1]. The outlook on the long-term rating is Stable.

Rationale

ICRA's ratings considers the healthy growth of ~11% in SIL's operating income to Rs. 217.03 crore in H1 FY2019 compared to Rs. 195.60 crore in H1 FY2018 aided by volumetric growth and 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. The company follows asset light model through outsourced contract manufacturing with back to back warranty with the vendors for major defects resulting in healthy return on capital.

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. Further, the working capital requirements increased 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's ratings also takes note of the moderation in the operating profit margins of the company during H1 FY2019 with increased overhead expenses. Further, the ratings takes into account the vulnerability of SIL's profitability to any adverse variations in raw material/traded goods prices.

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, strengthens the financial risk profile. The outlook may be revised to 'Negative' if cash accruals are lower than expected because of a decline in profitability, or if debt-funded capital expenditure results in deterioration of coverage indicators or stretch in the working-capital cycle weakens liquidity.

---

[1] *For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications*

Key rating drivers

Credit strengths

More than four 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 in it. SIL has established distribution network as well as after sales service network which strengthens its market position. The company is also expanding its distribution network for home appliances as well.

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 characterised by favourable capital structure and strong coverage indicators – The company's capital structure remains favourable owing to low debt resulting in strong coverage indicators. Although moderation in operating margins in H1 FY2019 resulted in moderation in coverage indicators in H1 FY2019.

Credit challenges

Moderation in operating profit margins – The company's operating profit margins moderated to 2.98% in H1 FY2019 vis-à-vis 3.78% in H1 FY2018 owing to increase in marketing expenses following investment in brand building and remodelling of its distribution network. Also, the margins were impacted due to floods in Kerala, which is a key market for the company.

Significant product concentration from sewing machines – Majority of the revenues and profits of SIL continue to be driven by the sewing machines segment (74% of the total revenues in 6M FY2019). High dependence on single product line increases the vulnerability of the company to risk of product obsolescence/substitutes. Although, increased focus on the home appliances segment to provide cushion going forward. However, the same is expected to increase the working capital requirements.

Intense competition limits margins - The company faces stiff competition from other organised and unorganised players in the sewing machine as well as home appliances business. This limits its pricing flexibility and bargaining power with customers, thereby putting pressure on its revenues and margins.

Liquidity Position:

The company's liquidity position remains stable with negligible debt and satisfactory cash accruals. The company's average cash credit limit utilisation remained moderate at ~42% during Jan-Nov 2018.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation / Standalone	The ratings are based on the standalone financial profile of the company.

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'.

In FY2018, the company reported a net profit of Rs. 8.96 crore on an OI of Rs. 421.50 crore compared with a net profit of Rs. 7.62 crore on an OI of 368.51 crore in the previous year.

Key financial indicators

	FY2017	FY2018	6M FY2019
Operating Income (Rs. crore)	368.51	421.50	217.03
PAT (Rs. crore)	7.62	8.96	3.50
OPBDIT/OI (%)	2.86%	3.09%	2.98%
RoCE (%)	24.00%	20.73%	19.00%
Total Debt/TNW (times)	0.06	0.24	0.22
Total Debt/OPBDIT (times)	0.31	1.07	0.96
Interest Coverage (times)	81.54	23.09	15.05

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

		Current Rating (FY2019)					Chronology of Rating History for the past 3 years			
					Date & Rating		Date & Rating in FY2018		Date & Rating in FY2017	Date & Rating in FY2016
	Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	January 2019	April 2018	November 2017	April 2017	May 2016	June 2015
1	Fund Based	Long Term/ Short Term	25.00		[ICRA]BBB (Stable)/ [ICRA]A3+	[ICRA]BBB (Stable)/ [ICRA]A3+	[ICRA]BBB (Stable)/ [ICRA]A3+	[ICRA]BBB (Stable)/ [ICRA]A3+	[ICRA]BBB- (Stable)/ [ICRA]A3	[ICRA]BB+ (Stable)/ [ICRA]A4+
2	Non-fund Based	Short Term	19.00		[ICRA]A3+	[ICRA]A3+	[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: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	19.50	[ICRA]BBB (Stable)/ [ICRA]A3+
NA	Working Capital Demand Loan	NA	NA	NA	2.50	[ICRA]BBB (Stable)/ [ICRA]A3+
NA	Export Credit	NA	NA	NA	3.00	[ICRA]BBB (Stable)/ [ICRA]A3+
NA	LC/BG	NA	NA	NA	19.00	[ICRA]A3+

Source: SIL

ANALYST CONTACTS

K Ravichandran
+91 44 4596 4301
ravichandran@icraindia.com

Vipin Jindal
+0124-4545 355
vipin.jindal@icraindia.com

Manish Ballabh
+0124-4545 812
manish.ballabh@icraindia.com

Prerna Aggarwal
+0124- 4545 891
prerna.aggarwal@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries:

+91-124-2866928 (open Monday to Friday, from 9:30 am to 6 pm)

info@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

ICRA Limited

Corporate Office
Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002
Tel: +91 124 4545300
Email: info@icraindia.com
Website: www.icra.in

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

Branches

Mumbai	+ (91 22) 24331046/53/62/74/86/87
Chennai	+ (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata	+ (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore	+ (91 80) 2559 7401/4049
Ahmedabad	+ (91 79) 2658 4924/5049/2008
Hyderabad	+ (91 40) 2373 5061/7251
Pune	+ (91 20) 2556 0194/ 6606 9999

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents