

July 10, 2025

Sigma Electric Manufacturing Corporation Private Limited: Ratings reaffirmed

Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|--|--------------------------------------|-------------------------------------|---|
| Long-term / Short-term – Fund-based/Non-fund based | 212.50 | 212.50 | [ICRA]A-(Stable)/[ICRA]A2+; Reaffirmed |
| Total | 212.50 | 212.50 | |

*Instrument details are provided in Annexure-I

Rationale

The ratings reaffirmation for Sigma Electric Manufacturing Corporation Private Limited (Sigma/SEMCPPL) takes into account the large scale of its operations and healthy operating margins. The company reported revenues of Rs. 1,708 crore in FY2025 (Rs. 1,557.4 crore in FY2024), which is further expected to grow by ~7-8% in FY2026. The operating profits remain comfortable at ~13-15% over the last 5 years and are likely to sustain in the near term as well. The ratings consider the established operations of Sigma in the electrical castings industry for over 20 years. Further, the ratings are supported by Sigma's diversified product portfolio servicing the electrical fittings segment, and the power transmission and distribution segment. The company also has customised products for residential and commercial usages, instrumentation and home appliance industries. Sigma derives the major portion of its revenues from exports to its US-based Group company, Sigma Electric Manufacturing Corporation, which manages its marketing and distribution in that country.

The ratings are, however, constrained by the moderately leveraged capital structure on account of large interest-bearing compulsory convertible debentures (CCD), which were infused in FY2017, following the acquisition by Argand Partners (New York-based private equity fund) from the Goldman Sachs Partner Fund. The significant interest outflow towards CCDs, impacts the net margins and fund flow from operations, leading to moderate debt coverage indicators. ICRA, nevertheless, draws comfort from the option of deferment of interest payment on CCDs to the parent entity and subordination of such outflows to bank repayments. The working capital remains high due to the extended receivable cycle (170-180 days from the parent entity), offset by high payable cycle with the usage of vendor bill discounting to an extent. Further, the company remains vulnerable to commodity prices, although it can pass on the increase in raw material costs with a lag. Sigma is also vulnerable to forex movements as 90% of its revenues is generated from exports to the parent entity that are impacted by significant mark-to-market gains or losses. ICRA notes the recent increase in tariff rates for exports to the USA, which may have an impact on companies' revenues and profitability, though it is looking to pass on the same to the end consumer. Further, any further reciprocal tariff, if levied and its impact on the financials, is a near-term rating sensitivity and will remain a key monitorable.

The Stable outlook on [ICRA]A- rating reflects ICRA's opinion that the company will increase its scale on the back on healthy demand and maintain comfortable profitability metrics over the medium term.

Key rating drivers and their description

Credit strengths

Large scale of operations with stable operating margins – The company has a large scale of operations with revenues of ~Rs. 1,707.8 crore in FY2025. The revenues rose by ~10% in FY2025 on the back of increasing volumes and improvement in realisations, backed by healthy demand and order addition. The operating margins remain stable at 13-15% during FY2020-FY2025. Going forward, ICRA expects the revenues to grow by ~7-8% in FY2026, along with steady healthy operating margins of ~13-14%.

Established position in castings industry – Incorporated in 1996, the company manufactures castings for electrical components and fittings used in commercial and residential projects as well as for power transmission and distribution. It also caters to custom business requirements for industrial equipment, home appliances and instrumentation.

Diversified product portfolio – The company is a large integrated player with a range of castings in all non-ferrous metals in addition to iron and steel. The core electrical segment comprises 75-80% of the consolidated revenues of the entity and supplies products such as fitting, connectors, couplings, weatherproof box, flip covers, lamp holders, lamp holder covers and lighting kits, connectors and fittings, among others, to the retail electrical segment, private labels and the power transmission and distribution sector. The custom products cater to the indigenous requirements of the industrial segment, instrumentation and appliance manufacturing segments.

Credit challenges

Leveraged capital structure due to interest-bearing CCDs; mitigated by interest payment subordination – The capital structure remains moderately leveraged with gearing of ~1 times as of March 2025 (estimated). The major portion of Sigma's total debt (89% of the FY2025 debt) pertains to CCDs and external commercial borrowings (ECBs) from its parent entity. The interest outgo on the CCDs remains on a higher side impacting the net margins and cash flows. The coverage indicators also remain on a moderate level, given the high interest payouts and high indebtedness including the CCDs. ICRA, however, draws comfort from the option of deferment of interest payment on CCDs to the parent entity by agreement between the two entities and subordination of such outflows to domestic bank repayments.

Working capital intensive nature of business – The company's working capital cycle remains high with NWC/OI of ~40% in FY2025. It exports ~90% of its products to its sister concern in the US at an extended credit period of 175-180 days. The creditors consist of raw material imports and domestic suppliers that are paid in 3-4 months, depending on the supplier and the country of import. The company maintains an inventory of 1-2 months, which primarily constitutes die castings manufactured by Sigma, as per the clients' specifications.

Vulnerable to changes in raw material prices and forex movements – The entity derives ~90% of its revenues from exports to its Group entity in the US, which exposes Sigma to forex movements and significant mark-to-market gains or losses that impact its net profitability. The company remains vulnerable to commodity prices, although it can pass on the same to the customers with a lag. ICRA notes the recent increase in tariff rates for exports to the USA, which may have an impact on companies' revenues and profitability, though it is looking to pass on the same to the end consumer. Further, any further reciprocal tariff, if levied and its impact on the financials, is a near-term rating sensitivity and will remain a key monitorable.

Liquidity position: Adequate

The liquidity profile remains adequate, supported by Sigma's comfortable margins and healthy cash flow from operations of Rs. 55-60 crore in FY2025. The cash and liquid investment balance stood at Rs. 24 crore as on March 31, 2025. The company has modest capex plans, which will be funded through internal accruals. ICRA draws comfort from the option of deferment of interest payment on CCDs to its parent entity by agreement and subordination of the same to bank repayments.

Rating sensitivities

Positive factors – The ratings could be upgraded in case of a significant expansion in Sigma's scale of operations, while maintaining its profit margin, and improvement in the working capital cycle, resulting in better debt coverage metrics and liquidity position on a sustained basis. A specific credit metric for a rating upgrade includes Total Debt/OPBITDA below 2.0 times, on a sustained basis.

Negative factors – The ratings may be downgraded if there is pressure on the company's revenues and profitability or if there is a sustained elongation of its working capital cycle impacting the liquidity position. Further, the ratings could be impacted if there is any large debt-funded capex, which could adversely affect the credit metrics.

Analytical approach

| Analytical Approach | Comments |
|---------------------------------|---|
| Applicable rating methodologies | Corporate Credit Rating Methodology |
| Parent/Group support | None |
| Consolidation/Standalone | Standalone |

About the company

Sigma Electric Manufacturing Corporation Private Limited is a Pune-based company established in 1996 by Mr. Sajjan Kumar Agarwal. In FY2008, Goldman Sachs Capital Partner Fund, a private equity (PE) fund, acquired a majority equity stake (80.11%) in Sigma. In October 2016, Argand Partners LLP, a New York-based PE firm acquired a 100% ownership in the company by buying out Goldman Sachs' and Mr. Sajjan Agarwal's entire equity stake.

Sigma manufactures castings for the electrical and fittings industry, connectors and cut-outs for the power transmission and distribution sector, and customised products for the industrial, instrumentation and appliances segments. It uses a wide range of materials such as aluminium, zinc, copper, iron and steel. Sigma has 11 manufacturing units across India, with six in Pune (Maharashtra) and five in Jaipur, with a total installed production capacity of 40,164 metric tonnes per annum as on March 31, 2025. It is an export-oriented company and made nearly 90% of its exports to Sigma Electric Manufacturing Corporation, a US-based Group entity. The company services its North American customer base from a 1,80,000-square-foot warehouse and distribution centre in Garner, North Carolina, the US.

Key financial indicators (audited)

| Sigma (Standalone) | FY2023 | FY2024 | FY2025* |
|--|--------|--------|---------|
| Operating income | 1552.8 | 1557.1 | 1707.8 |
| PAT | 79.0 | 46.5 | 98.2 |
| OPBDIT/OI | 14.7% | 13.7% | 13.7% |
| PAT/OI | 5.1% | 3.0% | 5.8% |
| Total outside liabilities/Tangible net worth (times) | 1.6 | 1.5 | - |
| Total debt/OPBDIT (times) | 2.5 | 2.7 | - |
| Interest coverage (times) | 3.3 | 2.9 | 3.2 |

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| Instrument | Current rating (FY2026) | | | Chronology of rating history for the past 3 years | | | | | |
|---------------------------------|--------------------------|--------------------------|--------------------------------|---|--------------------------------|--------|--------|--------------|----------------------------------|
| | Type | Amount rated (Rs. crore) | July 10, 2025 | FY2025 | | FY2024 | | FY2023 | |
| | | | | Date | Rating | Date | Rating | Date | Rating |
| Fund-based/ 1 Non-fund based | Long term/ Short term | 212.50 | [ICRA]A-(Stable)/ [ICRA]A2+ | Apr 04, 2024 | [ICRA]A-(Stable)/ [ICRA]A2+ | - | - | Apr 19, 2022 | [ICRA]A-(Positive)/ [ICRA]A2+ |
| | | | | Apr 23, 2024 | [ICRA]A-(Stable)/ [ICRA]A2+ | - | - | Mar 13, 2023 | [ICRA]A-(Stable)/ [ICRA]A2+ |

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|---|----------------------|
| Long-term / Short-term – Fund-based/ Non-fund based | Simple |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

| ISIN | Instrument Name | Date of Issuance | Coupon Rate | Maturity | Amount Rated (Rs. crore) | Current Rating and Outlook |
|------|----------------------------|------------------|-------------|----------|--------------------------|-----------------------------|
| NA | Fund-based/ Non-fund based | NA | NA | NA | 212.50 | [ICRA]A- (Stable)/[ICRA]A2+ |

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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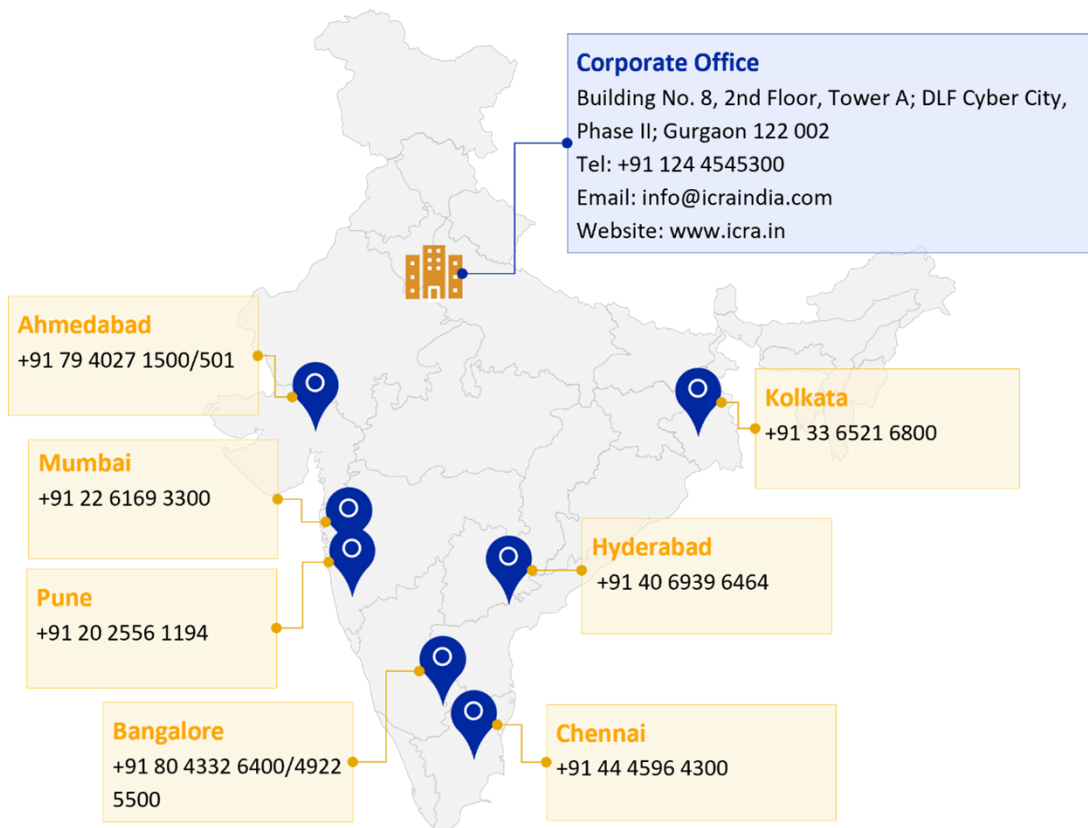
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