



Singer India Ltd.

Instrument	Amount Rated (Rs. crore)	Rating Action
Cash Credit	3.00 (Enhanced from nil)	[ICRA]BB+ (Stable); revised from [ICRA]BB (Stable)
Letter of Credit	5.00	[ICRA]A4+; revised from [ICRA]A4

ICRA has upgraded its long term rating on the Rs. 3 crore[^] (Enhanced from nil) cash credit facilities of Singer India Limited (SIL)[†] to [ICRA]BB+ (pronounced ICRA double B plus) from [ICRA]BB (pronounced ICRA double B) and has upgraded its short term rating on the company's Rs. 5 crore Letter of Credit facility to [ICRA]A4+ (pronounced ICRA A four plus) from [ICRA]A4 (pronounced ICRA A four). The outlook on the long term rating is 'Stable'.

The upward revision in ratings takes into account the diversification in SIL's product portfolio as well as scaling up of its operations, which was primarily driven by increased contribution from home appliances division along with increased sales of sewing machines, despite there being modest demand growth for sewing machines domestically. The ratings continue to factor in SIL's established brand name in the sewing machine industry, the company's widespread distribution base and strong linkages, in terms of financial and operational support, with the parent company, Singer Asia Limited. Also, SIL has a comfortable financial risk profile evidenced by its debt-free status as on June 30, 2014 and support derived from long credit period extended by its suppliers.

The ratings are, however, constrained by muted growth expectation in the sewing machine industry along with the low value additive nature of SIL's operations, which results in low profitability margins. Despite some diversification in the product portfolio with inclusion of small home appliances, SIL remains exposed to intense competition owing to the fragmented nature of the industry. ICRA also takes into account the vulnerability of SIL's profitability to any adverse variations in raw material/traded goods prices.

Going forward, the ability of the company, to register a sustained improvement in scale, along with improved profitability, will be the key rating sensitivities.

Company Profile

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 into the assembling and trading of sewing machines and home appliances. The company has been marketing sewing machines under the trademarks, 'Singer' and 'Merritt'. In the mid 2000s, SIL diversified into consumer durables like TVs, VCRs, and Fridges and faced intense competition from large multinational companies. The company's financial performance deteriorated sharply and it was referred to the BIFR^{*} as a sick unit in 2005. SIL was relieved from the purview of BIFR in May, 2013 and resumed production of sewing machines at its factory in Bari Brahmna Industrial Estate, Jammu by re-employing 88 workers. The manufacturing plant has a capacity of 72,000 units per annum.

Recent Results

In 2013-14, SIL reported a net profit of Rs. 6.97 crore on an operating income of Rs. 243.69 crore, as against a net profit of Rs. 15.32 crore on an operating income of Rs. 197.23 crore in the previous year.

May 2015

[^] 100 lakh = 1 crore = 10 million

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

^{*} BIFR-Board for Industrial and Financial Reconstruction



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