

## Singer India Limited

### Stock Performance Details

### Shareholding Details - September 2015

<b>Current Price</b>	<b>: ₹ 155.3<sup>^</sup></b>
Face Value	: ₹ 10 per share
52 wk High / Low	: ₹ 295.0 / 121.1
Total Traded Volume	: 16,810 shares <sup>^</sup>
Market Cap	: ₹ 166.8 crore <sup>^</sup>
Sector	: Industrial Machinery
EPS (H1 FY16)	: ₹ 2.97 per share
Equity Share Capital	: ₹ 10.7 crore
P/E (TTM)	: 21.94 (x) <sup>^</sup>
P/BV (TTM)	: 4.60 (x) <sup>^</sup>
Financial Year End	: 1 <sup>st</sup> July - 30 <sup>th</sup> June
BSE Scrip Name	: SINGER
BSE Scrip Code	: 505729

Particulars	Shareholding	
	Nos.	(%)
Promoter & Promoter Group Holding	80,57,351	75.00
Total Institutional Holdings (FII & DII)	1,21,537	1.13
Public Holdings	25,64,247	23.87
<b>Total</b>	<b>1,07,43,135</b>	<b>100.00</b>

<sup>^</sup> as on 16<sup>th</sup> February, 2016

### Background

- Singer India Limited (SIL) is one of the operating subsidiaries of Singer Asia Limited, with the other operating subsidiaries being in Bangladesh, Pakistan, Sri Lanka and Cambodia. It is engaged in the retailing of a wide variety of household consumer durables (HCDs) with consumer credit and other financial services available to eligible customers. It also operates direct selling business in Thailand on a large scale.
- In the year 1977 by incorporation of Indian Sewing Machine Company Limited at Mumbai (then Bombay), the entire business of the Indian Branch of Singer Sewing Machine Company, USA was taken over by this new Company. The Company later changed its name to Singer India Limited and established its Headquarters in Delhi.
- The Company's business segments include Sewing products, which offers sewing machine accessories, oil and needles Domestic Appliances, irons and steam irons, food processors, mixers, toasters, kettles, air coolers and desert coolers and other items. It has manufacturing facilities for sewing machines located at Jammu in the State of Jammu and Kashmir.
- SIL is an ISO 9001:2008 certified company. The Company's products are marketed under the Brand "SINGER" and "MERRITT". It has presence across India through its Showrooms, Shops and Dealers/Distributors and after sales service network. The Company also exports sewing machines.

## Financial Snapshot

Particulars	Standalone (₹ Million)	
	H2 FY15	H2 FY14
<b>Income Statement</b>		
<b>Income from Operations</b>	<b>1,448.3</b>	<b>1,291.0</b>
<i>Y-o-Y Growth (%)</i>	12.2	27.6
<b>EBITDA</b>	<b>41.3</b>	<b>36.2</b>
<i>Y-o-Y Growth (%)</i>	14.1	85.6
<i>EBITDA Margin (%)</i>	2.9	2.8
<b>Net Profit</b>	<b>33.9</b>	<b>37.1</b>
<i>Y-o-Y Growth (%)</i>	(8.6)	(65.0)
<i>NPM (%)</i>	2.3	2.9
<b>Balance Sheet</b>		
Fixed Assets	119.4	115.0
Cash and Bank Balances	123.0	116.8
Inventories	296.0	246.4
Net Working Capital	230.4	190.9
Net Worth	453.0	421.8
<b>Balance Sheet Ratios</b>		
<i>ROCE (%)</i>	9.5	8.9
<i>RONW (%)</i>	7.5	8.8

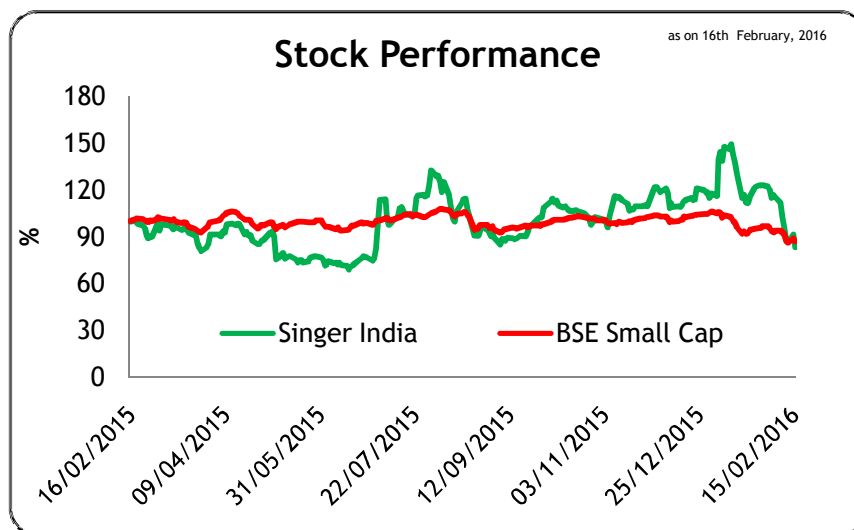
Source: Capitaline

## From the Research Desk of LKW's Gurukulshetra

- On a Standalone basis, Net Sales stood at Rs. 1,448.3 million in H2 FY15, thus increasing by 12.2% y-o-y from Rs. 1,291 million reported in H2 FY14.
- Material Cost forming 78% of the Net Sales increased by 11.8% on a y-o-y basis to Rs. 1,130.3 million in H1 FY16 from Rs. 1,010.6 million in H1 FY15. Change in Inventories stood lower at Rs. 8.8 million in H2 FY15 as compared to Rs. 25.9 million in H2 FY14. Employee Benefit Expenses increased by 22.8% y-o-y to Rs. 69.4 million in H2 FY15 as compared to Rs. 56.5 million in H2 FY14. Other Expenses increased by 22.7% y-o-y to Rs. 198.5 million in H2 FY15 from Rs. 161.8 million in H2 FY14. SIL reported an increase in the Operating Profit from Rs. 36.2 million in H2 FY14 to Rs. 41.3 million in H2 FY15 which could be on account of a higher topline.
- Depreciation Cost and Interest Cost stood at Rs. 4.1 million and Rs. 0.6 million respectively in H2 FY15. Other Income for H2 FY15 stood at Rs. 7.5 million as compared to Rs. 6.2 million in H2 FY14. Despite an increase in the Operating Profit for H1 FY16, SIL's Net Profit declined y-o-y primarily due to higher Tax Expenses. Net Profit declined to Rs. 33.9 million in H2 FY15 from Rs. 37.1 million in H2 FY14. EBITDA and PAT Margin for H2 FY15 stood at 2.9% and 2.3% respectively.
- Inventories increased to Rs. 296 million in H2 FY15 from Rs. 246.4 million reported in H2 FY14. Also, Debtors increased to Rs. 256.2 million in H2 FY16 from Rs. 187.9 million in H2 FY14. Short Term Loans and Advances stood higher for H2 FY15 at Rs. 38.4 million from Rs. 29.8 million reported in H2 FY14.

- Himec India Limited and Singer India Trading Limited, the two wholly owned subsidiaries of the Company had filed for voluntary winding up under the provisions of the Companies Act, 1956. The liquidator appointed by the shareholders of Himec India Limited and Singer India Trading Limited completed all the formalities and filed the Report with the Official Liquidator. Himec India Limited has since been dissolved effective from 25<sup>th</sup> November, 2014. The winding up matter of Singer India Trading Limited is pending with the Official Liquidator as on today.
- SIL informed the Exchange on 27<sup>th</sup> August, 2015 that the Board of Directors of the Company approved the alignment of the financial year of the Company to April-March from July-June. Therefore, the next financial year will be for a period of 9 months from 1<sup>st</sup> July, 2015 to 31<sup>st</sup> March, 2016.

## Performance on the Bourses



## Peer Comparison

The following table gives a snapshot view of the Company's performance vis-à-vis its closest peer.

(₹ In millions)

Particulars	Singer India#	Khaitan (India)*	Sharp India*
Income from Operations	1,448.3	51.7	192.4
EBIDTA	41.3	2.5	(81.1)
Net Profit	33.9	(30.5)	(128.2)
EBIDTA Margins (%)	2.9	4.8	(42.2)
PAT Margins (%)	2.3	(59.0)	(66.6)
Book Value Per Share	33.8	12.0	10.4
P/E (x)	27.27 <sup>^</sup>	0.00 <sup>^</sup>	0.00 <sup>^</sup>
P/BV (x)	5.68 <sup>^</sup>	0.78 <sup>^</sup>	3.61 <sup>^</sup>
RONW (%)	7.5	(7.0)	(89.9)

Source: Capitaline; # Financials on Standalone Basis as on June 2015; <sup>^</sup> On a Standalone Basis as on September, 2015  
TTM Basis; \* Financials on Standalone Basis as on September, 2015

## About the Industry

The Indian engineering sector is divided into two major segments - heavy engineering and light engineering. The Indian Engineering sector has witnessed remarkable growth over the last few years driven by increased investments in infrastructure and industrial production. The engineering sector, being closely associated with the manufacturing and infrastructure sectors, is of strategic importance to India's economy.

The capital goods and engineering sector's turnover in India is expected to reach US\$ 125.4 billion by FY17. Apart from the traditional markets of USA and UAE, markets in Eastern and Central European countries such as Poland also hold huge potential. India exports its engineering goods mostly to the US and Europe, which accounts for over 60% of the total exports. Recently, India's engineering exports to Japan and South Korea has also increased with shipments to these two countries rising by 16% and 60% respectively. Engineering exports from India stood at US\$ 70.6 billion in FY15, registering a CAGR of 11.1% over FY08-15.

The Indian engineering sector is of strategic importance to the economy owing to its intense integration with other industry segments. The sector has been de-licensed and enjoys 100% FDI. With the aim to boost the manufacturing sector, the government relaxed the excise duties on factory gate tax, capital goods, consumer durables and vehicles.

The Sewing Machines and Domestic Appliances industry in India continues to be dominated by the small scale sector with imports of appliances largely from China. The Make in India initiatives and the implementation of the Common Goods and Services Tax for all states is expected to impact these industries albeit others also to transform to higher growth with better productivity. The Zig Zag and Electronic Sewing machines offer higher potential for growth in the urban markets and also serve as the replacement market for the conventional sewing machines. The domestic appliances market offers huge potential with a sustained growth rate in India with rising households and income levels.

## Management Outlook

The Government is following the German model to help revive the Indian capital goods sector, because like India, 85% of capital goods produced in Germany are by SMEs and family owned businesses. The Government is also working with countries such as Germany and the U.S. to liberalise the exports of dual use technologies that would benefit the capital goods sector. According to the Minister, the scheme would be beneficial for textiles machinery, plastic machinery, machine tools, process plant and engineering goods manufacturers.

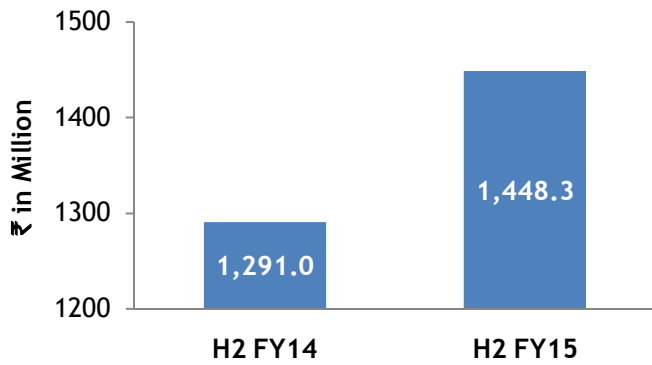
The Company's core business is the sewing machines business. It is taking efforts to increase the penetration in rural markets with specific models depending upon the market requirement. The artisan range will be more developed by introducing high end semi- industrial sewing machines. The Zig Zag range which offers many features more than just sewing to the consumer to operate on mechanical, electronic and computerized machines will be expanded with reaching out to the target customers through digital marketing. Sewing carded notions and other accessories have been added to the sewing products range to add to the turnover and expand reach to the customers.

The driver for growth in the future will be from the Domestic Appliances business. The Company has a wide range of kitchen and home comfort small appliances and had successfully introduced air-coolers and heating range with water heaters. These product lines will be expanded in future. The Domestic Appliances Business required initial investment in form of setting up after sales service and logistics and hiring employees for this separate vertical. The Company is taking efforts to reach the break-even point for this business and make this business a profitable business eventually.

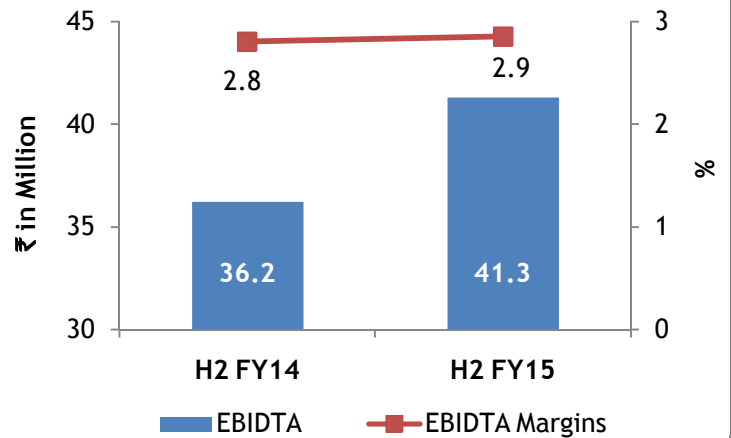
Considering the current market share of SIL, there is potential to increase its market share both in the straight stitch and Zig Zag segments. The Company will expand its reach in the markets bridging the gap by formulating the strategy for entering rural markets in a phased manner. The Domestic appliances market, which is a large and growing market, offers tremendous opportunity to the Company to expand this business with its strong brand recall. Some concerns of the industry and the players operating within the sector are the slow growth of the sewing machines market, strong competition in all business segments, sourcing and foreign exchange rate fluctuations.

**Financial Graphs**

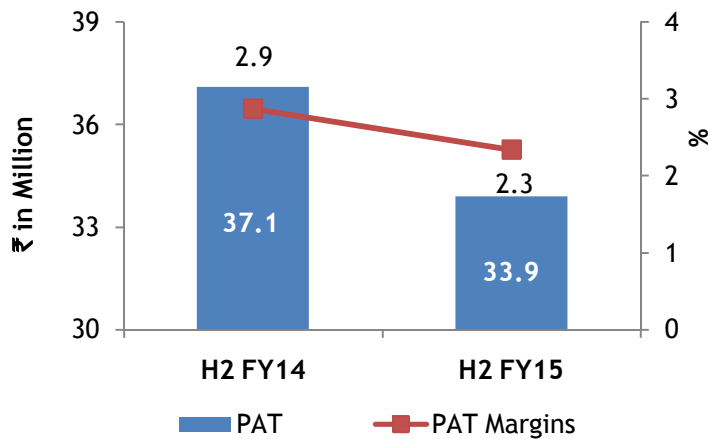
**Net Income from Operations**



**EBIDTA & EBIDTA Margins**



**PAT & PAT Margins**



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## Disclosure

Each member of the team involved in the preparation of this report, hereby affirms that there exists no conflict of interest.



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## About Us

**LOTUS KNOWLWEALTH (LKW)** commenced business in 1991 and is currently engaged in providing **CAPITAL MARKET RESEARCH, INVESTMENT ADVISORY and STRATEGY** services.

**GURUKSHETRA** is the Research and Training arm of LKW.

**LKW Investment Advisers** is the SEBI registered Investment Advisory arm of LKW.

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