



SMERA RATINGS LIMITED

Sigma Electric Manufacturing Corporation Private Limited (Sigma)

Rating Rationale

January 31, 2014

Facilities	Amount (Rs. Crore)	Rating
Export Packing Credit / PCFC	85.50	SMERA A1+ (Assigned)
Letter of Credit / Bank Guarantee	39.50	SMERA A1+ (Assigned)
Cash credit	42.80*	SMERA A+/Stable (Assigned)

**Sublimit of EPC/PCFC, which also includes an overdraft facility of Rs.2.00 crore*

SMERA has assigned ratings of '**SMERA A+**' (read as **SMERA A plus**) to the fund based bank facilities and '**SMERA A1+**' (read as **SMERA A one plus**) to the non-fund based bank facilities of Sigma Electric Manufacturing Corporation Private Limited (Sigma). The outlook is '**Stable**'. The ratings are supported by the company's long track record of operations, diversified product mix and experienced management. The ratings are further supported by the company's strong financial risk profile, healthy growth in revenues, high net profit margin and strong net cash accruals. The ratings factor in the company's exposure to geographical concentration risk and fluctuations in foreign exchange rates. The ratings also factor in the risks associated with the company's working capital-intensive operations.

Sigma, incorporated in 1996, is a Pune-based company engaged in manufacturing of electrical wiring and lighting accessories used in consumer durables and industrial electrical equipments. Sigma's diversified product mix includes electrical boxes, connectors, fittings, and other electrical accessories. The company caters to reputed customers based in USA, UK and Canada. Sigma's clientele includes Emersons, Siemens, Hubbell, Whirlpool and Crompton. Sigma benefits from its experienced management. Mr. Sajjan Agarwal, promoter and director of Sigma, has two decades of experience in the electrical wiring accessories industries. Mr. Viren Joshi, director of Sigma, has around three decades of experience in the electrical wiring accessories industry. Any change in the company's management will be a key rating sensitivity factor. Sigma has a strong financial risk profile with low leverage at 0.10 times as on March 31, 2013. The company does not have any long-term debt. Sigma's revenues increased from Rs.456.87 crore in FY2012-13 (refers to financial year, April 01 to March 31) to Rs.578.90 crore in FY2012-13, a growth of 27 per cent. The company's net profit margin is healthy at 7.30 per cent in FY2012-13. Sigma has strong net cash accruals of Rs.70.99 crore in FY2012-13 and healthy cash balance of Rs.56.4 crore as on March 31, 2013.

Sigma is exposed to geographical concentration risk as the company derives ~90 per cent of its revenues from customers based in the USA. Sigma is also exposed to unfavourable changes in US import policy. The company does not hedge its forex exposure and is thus susceptible to adverse movements in foreign exchange rates. Sigma's operations are working capital-intensive as reflected in gross current assets of 203 days (average for last three years).

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.



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Rationale*

Outlook: Stable

SMERA believes Sigma's outlook will remain stable over the medium term driven by the company's healthy business prospects in the near term. Sigma has registered revenues of Rs.412 crore during April 2013 to November 2013. The outlook may be revised to 'Positive' in case the company effectively diversifies its geographical reach, while maintaining its strong financial risk profile. The outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile, or in case of economic uncertainties in the company's key markets.

About the company

Sigma (formerly known as Semco Electric Private Limited) is a Pune-based company established in 1996 by Mr. Sajjan Kumar Agarwal. Sigma is engaged in manufacturing of electrical wiring and lighting accessories such as electrical boxes, connectors and fittings. Sigma has two manufacturing units located in Pune (Maharashtra) and Jaipur (Rajasthan), with a total installed capacity of 26,100 metric tonnes per annum.

During FY2007-08, Goldman Sachs Capital Partner Fund, a private equity fund, acquired majority equity stake (i.e. 80.11 per cent stake for ~USD172 million) in Sigma. The acquisition resulted in Sigma being a wholly-owned subsidiary of Sigma Electric Holdings (formerly Semco Holdings Inc.), Mauritius.

For FY2012-13, Sigma reported PAT of Rs.42.25 crore on revenues of Rs.578.90 crore, as compared with PAT of Rs.36.02 crore on revenues of Rs.456.87 crore for FY2011-12. Further, the company reported revenues of Rs.412 crore (provisional) during April 2013 to November 2013. Sigma's net worth stood at Rs.371.51 crore as on March 31, 2013, as compared with Rs.322.35 crore a year earlier.

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