SIGMATRON INTERNATIONAL INC
Form 10-K
July 17, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

þ **Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**
For the fiscal year ended April 30, 2009.

Or

o **Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**
For the transition period from __________ to __________.

Commission file number 0-23248
SIGMATRON INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	36-3918470
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
2201 Landmeier Rd., Elk Grove Village, IL	60007
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: 847-956-8000
Securities registered pursuant to Section 12(g) of the Act:
Common Stock $0.01 par value per share

Title of each class

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. o Yes þ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. o Yes þ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. þ Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). þ Yes o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of accelerated filer large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company þ

Indicate by check mark whether registrant is a shell company (as defined in Rule 12b-2 of the Act.) o Yes þ No

The aggregate market value of the voting common equity held by non-affiliates of the registrant as of October 31, 2008 (the last business day of the registrant s most recently completed second fiscal quarter) was $10,320,226 based on the closing sale price of $3.34 per share as reported by Nasdaq Capital Market as of such date.

The number of outstanding shares of the registrant s Common Stock, as of July 13, 2009, was 3,822,556.

DOCUMENTS INCORPORATED BY REFERENCE

Certain sections or portions of the definitive proxy statement of SigmaTron International, Inc., for use in connection with its 2009 annual meeting of stockholders, which the Company intends to file within 120 days of the fiscal year ended April 30, 2009, are incorporated by reference into Part III of this Form 10-K.

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PART 1

ITEM 1. BUSINESS

CAUTIONARY NOTE:

In addition to historical financial information, this discussion of the business of SigmaTron International, Inc., its wholly-owned subsidiaries Standard Components de Mexico S.A., and AbleMex S.A. de C.V., SigmaTron International Trading Co., and its wholly-owned foreign enterprise Wujiang SigmaTron Electronics Co., Ltd. (SigmaTron China), and its procurement branch SigmaTron Taiwan (collectively the Company) and other Items in this Annual Report on Form 10-K contain forward-looking statements concerning the Company s business or results of operations. Words such as continue, anticipate, will, expect, believe, plan, and similar expressions identify forward-looking statements. These forward-looking statements are based on the current expectations of the Company. Because these forward-looking statements involve risks and uncertainties, the Company s plans, actions and actual results could differ materially. Such statements should be evaluated in the context of the risks and uncertainties inherent in the Company s business including the Company s continued dependence on certain significant customers; the continued market acceptance of products and services offered by the Company and its customers; pricing pressures from our customers, suppliers and the market; the activities of competitors, some of which may have greater financial or other resources than the Company; the variability of our operating results; the results of long-lived assets impairment testing; the variability of our customers requirements; the availability and cost of necessary components and materials; the ability of the Company and our customers to keep current with technological changes within our industries; regulatory compliance; the continued availability and sufficiency of our credit arrangements; changes in U.S., Mexican, Chinese or Taiwanese regulations affecting the Company s business; the current turmoil in the global economy and financial markets; the stability of the U.S., Mexican, Chinese and Taiwanese economic systems, labor and political conditions; currency exchange fluctuations; and the ability of the Company to manage its growth. These and other factors which may affect the Company s future business and results of operations are identified throughout the Company s Annual Report on Form 10-K and as risk factors and may be detailed from time to time in the Company s filings with the Securities and Exchange Commission. These statements speak as of the date of such filings, and the Company undertakes no obligation to update such statements in light of future events or otherwise unless otherwise required by law.

Overview

The Company operates in one business segment as an independent provider of electronic manufacturing services (EMS), which includes printed circuit board assemblies and completely assembled (box-build) electronic products. In connection with the production of assembled products, the Company also provides services to its customers, including (1) automatic and manual assembly and testing of products; (2) material sourcing and procurement; (3) design, manufacturing and test engineering support; (4) warehousing and shipment services; and (5) assistance in obtaining product approval from governmental and other regulatory bodies. The Company provides these manufacturing services through an international network of facilities located in the United States, Mexico, China and Taiwan.

The Company provides manufacturing and assembly services ranging from the assembly of individual components to the assembly and testing of box-build electronic products. The Company has the ability to produce assemblies requiring mechanical as well as electronic capabilities. The products assembled by the Company are then incorporated into finished products sold in various industries, particularly appliance, consumer electronics, gaming, fitness, industrial electronics, life sciences, semiconductor, telecommunications and automotive.

The Company operates manufacturing facilities in Elk Grove Village, Illinois; Hayward, California; Acuna and Tijuana, Mexico; and Suzhou-Wujiang, China. The Company maintains materials sourcing offices

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in Elk Grove Village, Illinois; Hayward, California; and Taipei, Taiwan. The Company also has a warehouse in Del Rio, Texas.

The Company is a Delaware corporation, which was organized on November 16, 1993, and commenced operations when it became the successor to all of the assets and liabilities of SigmaTron L.P., an Illinois limited partnership, through a reorganization on February 8, 1994.

Products and Services

The Company provides a broad range of manufacturing related outsourcing solutions for its customers on both a turnkey basis (material purchased by the Company) and consignment basis (material provided by the customer). These solutions incorporate the Company s knowledge and expertise in the EMS industry to provide its customers with advanced manufacturing technologies and high quality, responsive and flexible manufacturing services. The Company s EMS solutions provide services from product inception through the ultimate delivery of a finished good. Such technologies and services include the following:

Supply Chain Management. The Company is primarily a turnkey manufacturer and directly sources all, or a substantial portion, of the components necessary for its product assemblies, rather than receiving the raw materials from its customers on consignment. Turnkey services involve a greater investment in resources and an increased inventory risk compared to consignment services. Supply chain management includes the purchasing, management, storage and delivery of raw components required for the manufacture or assembly of a customer s product based upon the customer s orders. The Company procures components from a select group of vendors which meet its standards for timely delivery, high quality and cost effectiveness, or as directed by its customers. Raw materials used in the assembly and manufacture of printed circuit boards and electronic assemblies are generally available from several suppliers, unless restricted by the customer. The Company does not enter into purchase agreements with the majority of its major or single-source suppliers. The Company believes ad-hoc negotiations with its suppliers provides the flexibility needed to source inventory based on the needs of its customers.

The Company believes that its ability to source and procure competitively priced, quality components is critical to its ability to effectively compete. In addition to obtaining materials in North America, the Company uses its Taiwanese procurement office and agents to source materials from the Far East. The Company believes this office allows it to more effectively manage its relationships with key suppliers in the Far East by permitting it to respond more quickly to changes in market dynamics, including fluctuations in price, availability and quality.

Assembly and Manufacturing. The Company s core business is the assembly of printed circuit board assemblies through the automated and manual insertion of components onto raw printed circuit boards. The Company offers its assembly services using both pin-through-hole (PTH) and surface mount (SMT) interconnect technologies at all of its manufacturing locations. SMT is an assembly process which allows the placement of a higher density of components directly on both sides of a printed circuit board. The SMT process is an advancement over the mature PTH technology, which normally permits electronic components to be attached to only one side of a printed circuit board by inserting the component into holes drilled through the board. The SMT process allows Original Equipment Manufacturers (OEMs) advanced circuitry, while at the same time permitting the placement of a greater number of components on a printed circuit board without having to increase the size of the board. By allowing increasingly complex circuits to be packaged with the components in closer proximity to each other, SMT greatly enhances circuit processing speed, and, thus, board and system performance.

The Company performs PTH assembly both manually and with automated component insertion and soldering equipment. Although SMT is a more sophisticated interconnect technology, the Company intends to continue providing PTH assembly services for its customers as the Company s customers continue to require both PTH and SMT capabilities. The Company is also capable of assembling fine pitch and ball grid array (BGA) components. BGA is used for more complex circuit boards required to perform at higher speeds.

Manufacturing and Related Services. The Company offers restriction of hazardous substances (RoHS) assembly services in compliance with the European Union environmental mandate at each of its

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manufacturing locations. The Company also provides quick turnaround, turnkey prototype services at all of its locations. In Elk Grove Village, the Company offers touch screen / LCD assembly services in a clean room environment. In Acuna, Mexico, the Company offers parylene coating services. In Tijuana, Mexico, the Company offers diagnostic, repair and rework services for power supplies. In all locations, the Company offers box-build services, which integrate its printed circuit board and other manufacturing and assembly technologies into higher level sub-assemblies and end products.

Product Testing. The Company has the ability to perform both in-circuit and functional testing of its assemblies and finished products. In-circuit testing verifies that the correct components have been properly inserted and that the electrical circuits are complete. Functional testing determines if a board or system assembly is performing to customer specifications. The Company seeks to provide customers with highly sophisticated testing services that are at the forefront of current test technology.

Warehousing and Distribution. In response to the needs of select customers, the Company has the ability to provide in-house warehousing, shipping and receiving and customer brokerage services in Del Rio, Texas for goods manufactured or assembled in Acuna, Mexico. The Company also has the ability to provide custom-tailored delivery schedules and services to fulfill the just-in-time inventory needs of its customers.

Markets and Customers

The Company s customers are in the appliance, gaming, industrial electronics, fitness, life sciences, semiconductor, telecommunications, consumer electronics and automotive industries. As of April 30, 2009, the Company had approximately 105 active customers ranging from Fortune 500 companies to small, privately held enterprises.

The following table shows, for the periods indicated, the percentage of net sales to the principal end-user markets it serves.

		Percent of Net Sales	
Markets	**Typical OEM Application**	**Fiscal 2008**	**Fiscal 2009**
Appliances	Household appliance controls	35.8%	40.9%
Industrial Electronics	Motor controls, power supplies	27.3	27.0
Fitness	Treadmills, exercise bikes, cross trainers	20.6	18.2
Telecommunications	Routers	6.1	6.5
Gaming	Slot machines, lighting displays	2.9	2.4
Life Sciences	Clinical diagnostic systems and instruments	3.7	1.7
Semiconductor Equipment	Process control and yield management equipment for semiconductor productions	2.6	2.2
Consumer Electronics	Battery backup sump pumps, electric bikes	0.7	1.0
Automotive	Automobile lighting	0.3	0.1
Total		100%	100%

For the fiscal year ended April 30, 2009, Spitfire Controls, Inc. and Life Fitness accounted for 27.5% and 18.2%, respectively, of the Company s net sales. For the fiscal year ended April 30, 2008, Spitfire Controls, Inc. and Life Fitness accounted for 23.0% and 20.6%, respectively, of the Company s net sales.

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Although the Company does not have long term contracts with these two customers, the Company expects that these customers will continue to account for a significant percentage of the Company s net sales, although the individual percentages may vary from period to period.

Sales and Marketing

The Company markets its services through 13 independent manufacturers representative organizations that together currently employ approximately 36 sales personnel in the United States and Canada. Independent manufacturers representative organizations receive variable commissions based on orders received by the Company and are assigned specific accounts, not territories. The members of the Company s senior management are actively involved in sales and marketing efforts, and the Company has 5 direct sales employees.

Sales can be a misleading indicator of the Company s financial performance. Sales levels can vary considerably among customers and products depending on the type of services (consignment and turnkey) rendered by the Company and the demand by customers. Consignment orders require the Company to perform manufacturing services on components and other materials supplied by a customer, and the Company charges only for its labor, overhead and manufacturing costs, plus a profit. In the case of turnkey orders, the Company provides, in addition to manufacturing services, the components and other materials used in assembly. Turnkey contracts, in general, have a higher dollar volume of sales for each given assembly, owing to inclusion of the cost of components and other materials in net sales and cost of goods sold. Variations in the number of turnkey orders compared to consignment orders can lead to significant fluctuations in the Company s revenue levels. However, the Company does not believe that such variations are a meaningful indicator of the Company s gross margins. Consignment orders accounted for less than 5% of the Company s revenues for each of the fiscal years ended April 30, 2009 and 2008.

In the past, the timing and rescheduling of orders has caused the Company to experience significant quarterly fluctuations in its revenue and earnings; such fluctuations may continue.

Mexico and China Operations

The Company s wholly-owned subsidiary, Standard Components de Mexico, S.A, a Mexican corporation, is located in Acuna, Coahuila Mexico, a border town across the Rio Grande River from Del Rio, Texas, and is 155 miles west of San Antonio. Standard Components de Mexico, S.A. was incorporated and commenced operation in 1968. The Company s wholly-owned subsidiary, AbleMex S.A. de C.V., a Mexican corporation, is located in Tijuana, Baja California Mexico, a border town south of San Diego, California. AbleMex S.A. de C.V. was incorporated and commenced operations in 2000. The Company believes that one of the key benefits to having operations in Mexico is its access to cost-effective labor resources while having geographic proximity to the United States.

The Company s wholly-owned foreign enterprise, Wujiang SigmaTron Electronics Co., Ltd., is located in Wujiang, China. Wujiang is located approximately 15 miles south of Suzhou, China and 60 miles west of Shanghai, China. The Company has entered into an agreement with governmental authorities in the economic development zone of Wujiang, Jiangsu Province, Peoples Republic of China, pursuant to which the Company became the lessee of a parcel of land of approximately 100 Chinese acres. The term of the land lease is 50 years. The Company built a manufacturing plant, office space and dormitories on this site during 2004. The manufacturing plant and office space is approximately 80,000 square feet, which can be expanded if conditions require. The Company decided to postpone the planned expansion of the China facility announced in July 2008 in response to the current economic conditions. SigmaTron China operates at this site as the Company s wholly-owned foreign enterprise. At April 30, 2009, this operation had 207 employees.

The Company provides funds for salaries, wages, overhead and capital expenditure items as necessary to operate its wholly-owned Mexican and Chinese subsidiaries and the Taiwan procurement branch. The Company provides funding in U.S. dollars, which are exchanged for Pesos, Renminbi, and New Taiwan dollars as needed. The fluctuation of currencies from time to time, without an equal or greater increase in inflation, could have a material impact on the financial results of the Company. The impact of currency fluctuation for

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the fiscal year ended April 30, 2009 resulted in approximately $135,000 in income. In fiscal year 2009, the Company s U.S. operations paid approximately $15,100,000 to its foreign subsidiaries for services provided.

Competition

The EMS industry is highly competitive and subject to rapid change. Furthermore, both large and small companies compete in the industry, and many have significantly greater financial resources, more extensive business experience and greater marketing and production capabilities than the Company. The significant competitive factors in this industry include price, quality, service, timeliness, reliability, the ability to source raw components, and manufacturing and technological capabilities. The Company believes it can competitively address all of these factors.

In addition, the Company may be operating at a cost disadvantage compared to manufacturers who have greater direct buying power with component suppliers or who have lower cost structures. Current and prospective customers continually evaluate the merits of manufacturing products internally and will from time to time offer manufacturing services to third parties in order to utilize excess capacity. During downturns in the electronics industry, OEMs may become more price sensitive.

There can be no assurance that competition from existing or potential competitors will not have a material adverse impact on the Company s business, financial condition or results of operations. The introduction of lower priced competitive products, significant price reductions by the Company s competitors or significant pricing pressures from its customers could adversely affect the Company s business, financial condition, and results of operations, as would the introduction of new technologies which render the Company s manufacturing process technology less competitive or obsolete.

Consolidation

The consolidated financial statements include the accounts and transactions of the Company, its wholly-owned subsidiaries, Standard Components de Mexico, S.A. and AbleMex S.A. de C.V., SigmaTron International Trading Co., its wholly-owned foreign enterprise Wujiang SigmaTron Electronics Co., Ltd. and its procurement branch, SigmaTron Taiwan. The functional currency of the Mexican subsidiaries, Chinese foreign enterprise and Taiwanese procurement branch is the U.S. dollar.

As a result of consolidation and other transactions involving competitors and other companies in the Company s markets, the Company occasionally reviews potential transactions relating to its business, products and technologies. Such transactions could include mergers, acquisitions, strategic alliances, joint ventures, licensing agreements, co-promotion agreements, financing arrangements or other types of transactions. In the future, the Company may choose to enter into other transactions at any time depending on available sources of financing, and such transactions could have a material impact on the Company, its business or operations.

Governmental Regulations

The Company s operations are subject to certain foreign, federal, state and local regulatory requirements relating to environmental, waste management, labor and health and safety matters. Management believes that the Company s business is operated in material compliance with all such regulations. To date, the cost to the Company of such compliance has not had a material impact on the Company s business, financial condition or results of operations. However, there can be no assurance that violations will not occur in the future as a result of human error, equipment failure or other causes. Further, the Company cannot predict the nature, scope or effect of environmental legislation or regulatory requirements that could be imposed or how existing or future laws or regulations will be administered or interpreted. Compliance with more stringent laws or regulations, as well as more vigorous enforcement policies of regulatory agencies, could require substantial expenditures by the Company and could have a material impact on the Company s business, financial condition and results of operations. In addition, effective mid-2006, the Company s customers were required to be in compliance with the European Standard of RoHS directive for all of their products that ship to the European marketplace. The Company has RoHS-dedicated manufacturing capabilities at all of its manufacturing operations.

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Backlog

The Company s backlog as of April 30, 2009, was approximately $36,200,000. The Company currently expects to ship substantially all of the April 30, 2009 backlog by the end of the 2010 fiscal year. Backlog as of April 30, 2008, totaled approximately $49,100,000. Variations in the magnitude and duration of contracts, forecasts and purchase orders received by the Company and delivery requirements generally may result in substantial fluctuations in backlog from period to period. Because customers may cancel or reschedule deliveries, backlog may not be a meaningful indicator of future revenue.

Employees

The Company employed approximately 1,700 people as of April 30, 2009, including 129 engaged in engineering or engineering related services, 1,316 in manufacturing and 255 in administrative and marketing functions.

The Company has a labor contract with Production Workers Union Local No. 10, AFL-CIO, covering the Company s workers in Elk Grove Village, Illinois which expires on November 30, 2009. The Company s Mexican subsidiary, Standard Components de Mexico S.A., has a labor contract with Sindicato De Trabajadores de la Industra Electronica, Similares y Conexos del Estado de Coahuila, C.T.M. covering the Company s workers in Acuna, Mexico which expires on February 1, 2010. The Company s subsidiary located in Tijuana Mexico, has a labor contract with Sindicato Mexico Moderno De Trabajadores De La, Baja California, C.R.O.C. The contract does not have an expiration date.

Since the time the Company commenced operations, it has not experienced any union-related work stoppages. The Company believes its relations with both unions and its other employees are good.

Executive Officers of the Registrants

Name	Age	Position
Gary R. Fairhead	57	President and Chief Executive Officer. Gary R. Fairhead has been the President of the Company since January 1990. Gary R. Fairhead is the brother of Gregory A. Fairhead.
Linda K. Frauendorfer	48	Chief Financial Officer, Vice President Finance, Treasurer and Secretary since February 1994.
Gregory A. Fairhead	53	Executive Vice President and Assistant Secretary. Gregory A. Fairhead has been Executive Vice President since February 2000 and Assistant Secretary since 1994. Mr. Fairhead was Vice President Acuna Operations for the Company from February 1990 to February 2000. Gregory A. Fairhead is the brother of Gary R. Fairhead.
John P. Sheehan	48	Vice President, Director of Supply Chain and Assistant Secretary since February 1994.
Daniel P. Camp	60	Vice President, Acuna Operation since 2007. Vice President China Operations from 2003 to 2007. General Manager / Vice President of Acuna Operations from 1994 to 2003.
Raj B. Upadhyaya	54	Executive Vice President, West Coast Operations since 2005. Mr. Upadhyaya was the Vice President of the Fremont Operation from 2001 until 2005.
Hom-Ming Chang	49	Vice President, China Operation since 2007. Vice President Hayward Materials / Test / IT from 2005 2007. Vice President of Fremont Operation from 2001 to 2005.

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ITEM 1A. RISK FACTORS

The following risk factors should be read carefully in connection with evaluating our business and the forward-looking information contained in this Annual Report on Form 10-K. Any of the following risks could materially adversely affect our business, operations, industry or financial position or our future financial performance. While the Company believes it has identified and discussed below the key risk factors affecting its business, there may be additional risks and uncertainties that are not presently known or that are not currently believed to be significant that may adversely affect its business, operations, industry, financial position and financial performance in the future.

***The Company s ability to secure and maintain sufficient credit arrangements is key to its continued operations*.**

The Company has a revolving credit facility under which the Company may borrow up to the lesser of (i) $32 million or (ii) an amount equal to the sum of 85% of the receivable borrowing base and the lesser of $16 million or a percentage of the inventory borrowing base. As of April 30, 2009, $18,746,696 was outstanding under the revolving credit facility. There was approximately $7.8 million of unused availability under the revolving credit facility as of April 30, 2009. In June 2008, the Company amended the revolving credit facility to extend the term of the agreement until September 30, 2010 from September 30, 2009 and amended certain financial covenants.

The Company was in compliance with the required financial covenants as of April 30, 2009. Historically, the Company has renegotiated its financial covenants for the current fiscal year during the first quarter of that fiscal year in connection with the Company s annual budgeting process. As of July 10, 2009, the Company is in the preliminary stages of negotiating revised financial covenants for fiscal 2010. The existing financial covenants remain in place until a new agreement has been reached. The Company is currently working with its lender to amend the financial covenants for its revolving credit facility, based upon the Company s most recent projections for the 2010 fiscal year. At this time, it is possible that the Company would not be in compliance with an existing financial covenant for the quarter ended July 31, 2009. Therefore, if the Company is not successful in amending its financial covenants, the Company could be in violation of its revolving credit facility agreement at that time. In the event the Company was unable to amend the required financial covenants or obtain alternative financing, the Company may be unable to access lines of credit and its debt obligations could be accelerated. These events would likely have a material adverse effect on the Company s future results of operations, financial position and liquidity.

The Company also has a term loan with an outstanding balance of $2 million and $3 million as of April 30, 2009 and 2008, respectively with quarterly principal payments of $250,000 due each quarter through the quarter ending June 30, 2011. Borrowings under the term loan bear an interest rate of LIBOR plus 2%, which ranged from 2.41% to 6.47% during fiscal year 2009. During fiscal year 2008, borrowings under the term loan were at an interest rate of 6.47%.

The financial crisis affecting the banking system and capital markets have resulted in a tightening in the credit markets, a low level of liquidity in many financial markets and extreme volatility in credit. Disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulations, reduced alternatives, or failures of significant financial institutions could adversely affect the Company s ability to secure, maintain or renew sufficient credit arrangements to support its working capital requirements to continue operations.

The financial crisis and global economic slowdown could negatively impact the Company s business, results of operations and financial condition.

The Company s sales and gross margins depend significantly on market demand for its customers products. A continued slow down in the global economy and the related decline in demand for our customers products in any industry has resulted in decreasing sales levels and gross margins which have negatively impacted the Company s business, results of operations and financial conditions and this trend may continue.

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The Company experiences variable operating results.

The Company s results of operations have varied and may continue to fluctuate significantly from period to period, including on a quarterly basis. Consequently, results of operations in any period should not be considered indicative of the results for any future period, and fluctuations in operating results may also result in fluctuations in the price of the Company s common stock.

The Company s quarterly and annual results may vary significantly depending on numerous factors, many of which are beyond the Company s control. These factors include:

Changes in sales mix to customers

Changes in availability and cost of components

Volume of customer orders relative to capacity

Market demand and acceptance of our customers products

Price erosion within the EMS marketplace

Capital equipment requirements needed to remain technologically competitive

Volatility of the global economy and financials markets

The Company s customer base is concentrated.

Sales to the Company s five largest customers accounted for 63% of net sales for the fiscal years ended April 30, 2009 and 2008. The Company s two largest customers accounted for 27.5% and 18.2% of net sales for the fiscal year ended April 30, 2009 compared to 23.0% and 20.6% of net sales for the fiscal year ended April 30, 2008. Significant reduction in sales to any of the Company s major customers or the loss of a major customer could have a material impact on the Company s operations. If the Company cannot replace canceled or reduced orders, sales will decline, which could have a material impact on the results of operations. There can be no assurance that the Company will retain any or all of its large customers. This risk may be further complicated by pricing pressures and intense competition prevalent in our industry.

There is variability in the requirements of the Company s customers.

The Company does not generally obtain long-term purchase contracts. The timing of purchase orders placed by the Company s customers is affected by a number of factors, including variation in demand for the customers products, regulatory changes affecting customer industries, customer attempts to manage inventory, changes in the customers manufacturing strategies and customers technical problems or issues. Many of these factors are outside the control of the Company. If the Company cannot replace canceled or reduced orders, sales will decline, which could have a material impact on the results of operations.

The Company and its customers may be unable to keep current with the industry s technological changes.

The market for the Company s manufacturing services is characterized by rapidly changing technology and continuing product development. The future success of the Company s business will depend in large part upon its customers ability to maintain and enhance their technological capabilities, develop and market manufacturing services which meet changing customer needs and successfully anticipate or respond to technological changes in manufacturing processes on a cost-effective and timely basis.

Effective mid-2006, the Company s customers were required to be in compliance with the European Standard of RoHS for all products shipped to the European marketplace. The purpose of the directive is to restrict the use of hazardous substances in electrical and electronic equipment and to contribute to the environmentally sound recovery and disposal of electrical and electronic equipment waste. In addition, electronic component manufacturers must produce electronic components which are lead-free. The Company relies on numerous third-party suppliers for components used in the Company s production process. Customers specifications may require the Company to obtain components from a single source or a small number of suppliers. The inability to utilize any such suppliers could have a material impact on the Company s results of operations.

The Company faces intense industry competition and downward pricing pressures.

The EMS industry is highly fragmented and characterized by intense competition. Many of the Company s competitors have substantially greater experience, as well as greater manufacturing, purchasing, marketing and financial resources than the Company.

There can be no assurance that competition from existing or potential competitors will not have a material adverse impact on the Company s business, financial condition or results of operations. The introduction of lower priced competitive products, significant price reductions by the Company s competitors or significant pricing pressures from its customers could adversely affect the Company s business, financial condition, and results of operations.

The Company has foreign operations that may pose additional risks.

A substantial part of the Company s manufacturing operations is based in Mexico. Therefore, the Company s business and results of operations are dependent upon numerous related factors, including the stability of the Mexican economy, the political climate in Mexico and Mexico s relations with the United States, prevailing worker wages, the legal authority of the Company to own and operate its business in Mexico, and the ability to identify, hire, train and retain qualified personnel and operating management in Mexico.

The Company has an operation in China. Therefore, the Company s business and results of operations are dependent upon numerous related factors, including the stability of the China economy, the political climate in China and China s relations with the United States, prevailing worker wages, the legal authority of the Company to own and operate its business in China, and the ability to identify, hire, train and retain qualified personnel and operating management in China.

The Company obtains many of its materials and components through its office in Taipei, Taiwan and, therefore, the Company s access to these materials and components is dependent on the continued viability of its Asian suppliers.

The Company may be unable to manage its growth.

The Company may not effectively manage its growth and successfully integrate the management and operations of its acquisitions. Acquisitions involve significant financial and operating risks that could have a material adverse effect on the Company s results of operations.

Disclosure and internal controls may not detect all errors or fraud.

The Company s management, including the Chief Executive Officer and Chief Financial Officer, do not believe that the Company s disclosure controls and internal controls will prevent all errors and all fraud. Controls can provide only reasonable assurance that the procedures will meet the control objectives. Controls are limited in their effectiveness by human error, including faulty judgments in decision-making. Further, controls can be circumvented by collusion of two or more people or by management override of controls. Because of the limitations of a cost effective control system, error and fraud may occur and not be detected.

There is a risk of fluctuation of various currencies integral to the Company s operations.

The Company purchases some of its material components and funds some of its operations in foreign currencies. From time to time the currencies fluctuate against the U.S. dollar. Such fluctuations could have a measurable impact on the Company s results of operations and performance. The impact of currency fluctuation for the year ended April 30, 2009 resulted in approximately $135,000 in income. These fluctuations are expected to continue. The Company did not utilize derivatives or hedge foreign currencies to reduce the risk of such fluctuations.

The availability of raw components may affect the Company s operations.

The Company relies on numerous third-party suppliers for components used in the Company s production process. Certain of these components are available only from single sources or a limited number of suppliers. In addition, a customer s specifications may require the Company to obtain components from a single source or a small number of suppliers. The loss of any such suppliers or increases in component cost could have a material impact on the Company s results of operations. The Company could operate at a cost disadvantage compared to competitors who have greater direct buying power from suppliers.

The Company is dependent on key personnel.

The Company depends significantly on its President and Chief Executive Officer, Gary R. Fairhead, and on other executive officers. The loss of the services of any of these key employees could have a material impact on the Company s business and results of operations. In addition, despite significant competition, continued growth and expansion of the Company s EMS business will require that it attract, motivate and retain additional skilled and experienced personnel. The inability to satisfy such requirements could have a negative impact on the Company s ability to remain competitive in the future.

Favorable labor relations are important to the Company.

The Company currently has labor union contracts with its employees constituting approximately 45% of its workforce. Although the Company believes its labor relations are good, any labor disruptions, whether union-related or otherwise, could significantly impair the Company s business, substantially increase the Company s costs or otherwise have a material impact on the Company s results of operations.

Failure to comply with environmental regulations could subject the Company to liability.

The Company is subject to a variety of environmental regulations relating to the use, storage, discharge and disposal of hazardous chemicals used during its manufacturing process. Any failure by the Company to comply with present or future regulations could subject it to future liabilities or the suspension of production which could have a material negative impact on the Company s results of operations.

The price of the Company s stock is volatile.

The price of the Company s common stock historically has experienced significant volatility due to fluctuations in the Company s revenue and earnings, other factors relating to the Company s operations, the market s changing expectations for the Company s growth, overall equity market conditions and other factors unrelated to the Company s operations. In addition, the limited float of the Company s common stock and the limited number of market makers also affect the volatility of the Company s common stock. Such fluctuations are expected to continue in the future.

Being a public company increases the Company s administrative costs.

The Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley), as well as rules subsequently implemented by the Securities and Exchange Commission and listing requirements subsequently adopted by Nasdaq in response to Sarbanes-Oxley, have required changes in corporate governance practices, internal control policies and audit committee practices of public companies. These rules and regulations could also make it more difficult for us to attract and retain qualified members for our board of directors, particularly to serve on our audit committee. In addition, if the Company receives a qualified opinion on the adequacy of its internal control over financial reporting, shareholders and the Company s lenders could lose confidence in the reliability of the Company s financial statements. This could have a material adverse impact on the value of the Company s stock and the Company s liquidity.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

At April 30, 2009, the Company had manufacturing facilities located in Elk Grove Village, Illinois, Hayward, California, Acuna and Tijuana, Mexico and Suzhou-Wujiang, China. In addition, the Company provides inventory management services through its Del Rio, Texas, warehouse facilities and materials procurement services through its Elk Grove Village, Illinois; Acuna, Mexico; Hayward, California; and Taipei, Taiwan offices.

Certain information about the Company s manufacturing, warehouse and purchasing facilities is set forth below:

Location	Square Feet	Services Offered	Owned/ Leased
Suzhou-Wujiang, China	147,500	High volume assembly, and testing of PTH and SMT, box-build, BGA	*
Hayward, CA	126,000	Assembly and testing of PTH, SMT and BGA, box-build, prototyping, warehousing	Leased
Elk Grove Village, IL	118,000	Corporate headquarters, assembly and testing of PTH, SMT and BGA, box-build, prototyping, warehousing	Owned
Acuna, Mexico	115,000	High volume assembly, and testing of PTH and SMT, box-build, transformers	Owned **
Las Vegas, NV	38,250	N/A	Leased ***
Del Rio, TX	44,000	Warehouse, portion of which is bonded	Leased
Tijuana, Mexico	67,700	High volume assembly, and testing of PTH and SMT, box-build	Leased
Taipei, Taiwan	2,900	Materials procurement, alternative sourcing assistance and quality control	Leased

* The Company s Suzhou-Wujiang, China building is owned by the Company and the land is leased from the Chinese government for a 50 year term.

** A portion of the facility is leased.

***

During fiscal year 2006, the Las Vegas operation was sold. The Company continues to be obligated under the primary lease agreement for the facility and sublets the property to other occupants. The Company will not renew this lease when it expires in October 2009.

The Hayward, California and Tijuana, Mexico properties and a portion of the Del Rio, Texas properties are occupied pursuant to leases of the premises. The lease agreements for the Nevada and California properties expire October 2009 and September 2010, respectively. The lease agreements for the Del Rio, Texas properties expire April 2011 and December 2015. The Tijuana, Mexico leases expire June 2011. The Company s manufacturing facilities located in Acuna, Mexico and Elk Grove Village, Illinois are owned by the Company, except for a portion of the facility in Mexico, which is leased. The property in Elk Grove Village, Illinois is financed under a separate mortgage agreement, which matures in April 2013. The Company leases the purchasing and engineering office in Taipei, Taiwan to coordinate Far East purchasing activities. The Company believes its current facilities are adequate to meet its current needs. In addition, the Company believes it can find alternative facilities to meet its needs in the future, if required.

ITEM 3. LEGAL PROCEEDINGS

As of April 30, 2009, the Company was not a party to any material legal proceedings.

From time to time the Company is involved in legal proceedings, claims or investigations that are incidental to the conduct of the Company s business. In future periods, the Company could be subjected to cash cost or non-cash charges to earnings if any of these matters are resolved on unfavorable terms. However, although the ultimate outcome of any legal matter cannot be predicted with certainty, based on present information, including management s assessment of the merits of any particular claim, the Company does not expect that these legal proceedings or claims will have any material adverse impact on its future consolidated financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders in the fourth quarter of fiscal year 2009.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The Company s common stock is traded on the NASDAQ Capital Market System under the symbol SGMA. The following table sets forth the range of quarterly high and low sales price information for the common stock for the periods ended April 30, 2009, and 2008.

	Common Stock as Reported by NASDAQ	
Period	High	Low
Fiscal 2009:		
Fourth Quarter	$ 2.60	$1.27
Third Quarter	3.48	1.58
Second Quarter	7.15	2.82
First Quarter	7.29	5.00
Fiscal 2008:		
Fourth Quarter	$ 7.85	$5.25
Third Quarter	12.50	6.88
Second Quarter	13.37	8.44
First Quarter	11.64	8.95

As of July 13, 2009, there were approximately 61 holders of record of the Company s common stock, which does not include shareholders whose stock is held through securities position listings. The Company estimates there to be approximately 1,595 beneficial owners of the Company s common stock.

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Dividend Information

The Company has not paid cash dividends on its common stock since completing its February 1994 initial public offering and does not intend to pay any dividends in the foreseeable future. So long as any indebtedness remains unpaid under the Company s revolving loan facility, the Company is prohibited from paying or declaring any dividends on any of its capital stock, except stock dividends, without the written consent of the lender under the facility.

Equity Compensation Plan Information

Information concerning securities authorized for issuance under our equity compensation plans is set forth in Part III, Item 12 of this Annual Report, under the caption Securities Authorized for Issuance under Equity Compensation Plans and that information is incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

As a smaller reporting company, as defined in Rule 12b-2 of the Securities Exchange Act of 1934, we are not required to provide the information required by this item.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In addition to historical financial information, this discussion of the business of SigmaTron International, Inc., its wholly-owned subsidiaries Standard Components de Mexico S.A., and AbleMex S.A. de C.V., SigmaTron International Trading Co., and its wholly-owned foreign enterprise Wujiang SigmaTron Electronics Co., Ltd. (SigmaTron China), and its procurement branch SigmaTron Taiwan (collectively the Company) and other Items in this Annual Report on Form 10-K contain forward-looking statements concerning the Company s business or results of operations. Words such as continue, anticipate, will, expect, believe, plan, and similar expressions identify forward-looking statements. These forward-looking statements are based on the current expectations of the Company. Because these forward-looking statements involve risks and uncertainties, the Company s plans, actions and actual results could differ materially. Such statements should be evaluated in the context of the risks and uncertainties inherent in the Company s business including the Company s continued dependence on certain significant customers; the continued market acceptance of products and services offered by the Company and its customers; pricing pressures from our customers, suppliers and the market; the activities of competitors, some of which may have greater financial or other resources than the Company; the variability of our operating results; the results of long-lived assets impairment testing; the variability of our customers requirements; the availability and cost of necessary components and materials; the ability of the Company and our customers to keep current with technological changes within our industries; regulatory compliance; the continued availability and sufficiency of our credit arrangements; changes in U.S., Mexican, Chinese or Taiwanese regulations affecting the Company s business; the current turmoil in the global economy and financial markets; the stability of the U.S., Mexican, Chinese and Taiwanese economic systems, labor and political conditions; currency exchange fluctuations; and the ability of the Company to manage its growth. These and other factors which may affect the Company s future business and results of operations are identified throughout the Company s Annual Report on Form 10-K and as risk factors and may be detailed from time to time in the Company s filings with the Securities and Exchange Commission. These statements speak as of the date of such filings, and the Company undertakes no obligation to update such statements in light of future events or otherwise unless otherwise required by law.

Overview

The Company operates in one business segment as an independent provider of EMS, which includes printed circuit board assemblies and completely assembled (box-build) electronic products. In connection with the production of assembled products, the Company also provides services to its customers, including (1) automatic and manual assembly and testing of products; (2) material sourcing and procurement; (3) design, manufacturing and test engineering support; (4) warehousing and shipment services; and (5) assistance in obtaining product approval from governmental and other regulatory bodies. The Company provides these manufacturing services through an international network of facilities located in the United States, Mexico, China and Taiwan.

The Company relies on numerous third-party suppliers for components used in the Company s production process. Certain of these components are available only from single sources or a limited number of suppliers. In addition, a customer s specifications may require the Company to obtain components from a single source or a small number of suppliers. The loss of any such suppliers could have a material impact on the Company s results of operations, and the Company may be required to operate at a cost disadvantage compared to competitors who have greater direct buying power from suppliers. The Company does not enter into purchase agreements with major or single-source suppliers. The Company believes that ad-hoc negotiations with its suppliers provides flexibility, given that the Company s orders are based on the needs of its customers, which constantly change.

The Sarbanes-Oxley Act, as well as rules subsequently implemented by the Securities and Exchange Commission and listing requirements subsequently adopted by Nasdaq in response to Sarbanes-Oxley, have required changes in corporate governance practices, internal control policies and audit committee practices of public companies. These rules and regulations could also make it more difficult for us to attract and retain qualified members for our board of directors, particularly to serve on our audit committee. In addition, if the Company receives a qualified opinion on the adequacy of its internal control over financial reporting, shareholders and the Company s lenders could lose confidence in the reliability of the Company s financial statements. This could have a material adverse impact on the value of the Company s stock and the Company s liquidity.

Sales can be a misleading indicator of the Company s financial performance. Sales levels can vary considerably among customers and products depending on the type of services (consignment and turnkey) rendered by the Company and the demand by customers. Consignment orders require the Company to perform manufacturing services on components and other materials supplied by a customer, and the Company charges only for its labor, overhead and manufacturing costs, plus a profit. In the case of turnkey orders, the Company provides, in addition to manufacturing services, the components and other materials used in assembly. Turnkey contracts, in general, have a higher dollar volume of sales for each given assembly, owing to inclusion of the cost of components and other materials in net sales and cost of goods sold. Variations in the number of turnkey orders compared to consignment orders can lead to significant fluctuations in the Company s revenue levels. However, the Company does not believe that such variations are a meaningful indicator of the Company s gross margins. Consignment orders accounted for less than 5% of the Company s revenues for the year ended April 30, 2009.

In the past, the timing and rescheduling of orders have caused the Company to experience significant quarterly fluctuations in its revenues and earnings, and the Company expects such fluctuations to continue. The uncertainty associated with the worldwide economy in general and the United States economy specifically make forecasting difficult. All of the Company s customer s markets remain volatile. The Company believes it will continue to see lower revenues and more volatility until at least the fall of 2009.

Critical Accounting Policies:

Management Estimates and Uncertainties The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in preparing the consolidated financial statements include depreciation and amortization periods, the allowance for doubtful accounts, reserves for inventory and valuation of long-lived assets. Actual results could materially differ from these estimates.

Revenue Recognition Revenues from sales of the Company s electronic manufacturing services business are recognized when the product is shipped to the customer. In general, it is the Company s policy to recognize revenue and related costs when the order has been shipped from our facilities, which is also the same point that title passes under the terms of the purchase order except for consignment inventory. Consignment inventory is shipped from the Company to an independent warehouse for storage or shipped directly to the customer and stored in a segregated part of the customer s own facility. Upon the customer s request for inventory, the consignment inventory is shipped to the customer if the inventory was stored offsite or transferred from the segregated part of the customer s facility for consumption, or use, by the customer. The Company recognizes revenue upon such transfer. The Company does not earn a fee for storing the consignment inventory. The Company generally provides a 90 day warranty for workmanship only and does not have any installation, acceptance or sales incentives, although the Company has negotiated longer warranty terms in certain instances. The Company assembles and tests assemblies based on customers specifications. Historically, the amount of returns for workmanship issues has been de minimis under the Company s standard or extended warranties. Any returns for workmanship issues received after each period end are accrued in the respective financial statements.

Inventories Inventories are valued at the lower of cost or market. Cost is determined by the first-in, first-out method. The Company establishes inventory reserves for valuation, shrinkage, and excess and obsolete inventory. The Company records provisions for inventory shrinkage based on historical experience to account for unmeasured usage or loss. Actual results differing from these estimates could significantly affect the Company s inventories and cost of products sold. The Company records provisions for excess and obsolete inventories for the difference between the cost of inventory and its estimated realizable value based on assumptions about future product demand and market conditions. Actual product demand or market conditions could be different than that projected by management.

Impairment of Long-Lived Assets The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is considered impaired if its carrying amount exceeds the future undiscounted net cash flow the asset is expected to generate. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair market value.

Goodwill and Other Intangibles In December 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 141(R), Accounting Standards Codification (ASC) (805-10-10-1) Business Combinations (SFAS 141(R)) which replaces SFAS No. 141, Business Combinations. The FASB has since codified FASB 141(R) as Accounting Standards Codification (ASC) 805-10-10-1. This Statement retains the fundamental requirements in SFAS No. 141 that the acquisition method of accounting (formerly referred to as purchase method) is to be used for all business combinations and that an acquirer is identified for each business combination. This Statement defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as of the date that the acquirer achieves control. This Statement requires an acquirer to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquire at the acquisition date, measured at their fair values. This Statement requires the acquirer to recognize acquisition-related costs and restructuring costs separately from the business combination as period expense. This Statement is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The Company will implement SFAS No. 141(R) for any business combinations occurring subsequent to April 30, 2009.

In January 2008, the Company changed the date of its annual goodwill impairment test from the last day of the fiscal year to the first day of the fiscal fourth quarter. The impairment test procedures were carried out during the fourth quarter of fiscal year 2008 and up to the time of the filing of the Company s Form 10-K for fiscal year 2008, which allowed the Company additional time to complete the required analysis. The Company believes that the resulting change in accounting principle related to the annual testing date did not delay, accelerate or avoid an impairment charge. The Company determined that the change in accounting principle related to the annual testing date was preferable under the circumstances and did not result in adjustments to the Company s financial statements when applied retrospectively. During the fiscal year 2008, the Company performed its annual goodwill impairment testing and the carrying value of the Company s reporting unit exceeded the fair value indicating a goodwill impairment. The Company completed the second step of the goodwill impairment test used to measure the amount of the impairment loss by comparing the implied fair value of the reporting unit goodwill with the carrying amount of the goodwill. As a result of this

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impairment analysis, the Company recorded an impairment charge for the full amount of goodwill ($9.3 million) during the fiscal year ended April 30, 2008. The impairment was due to continuing customer pricing pressures and uncertain economic conditions as well as the Company s declining stock price during fiscal 2008.

New Accounting Standards:

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157), (ASC 820-10-05-1), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 is effective for the Company beginning on May 1, 2008. In November 2007, the FASB agreed to a one-year deferral of the effective date of SFAS 157 for all non-financial assets and liabilities, except those that are recognized or disclosed