

September 04, 2014

Facilities	Amount (Rs. Crore)	Rating
<b>Cash Credit</b>	<b>7.20</b>	<b>SMERA B+/Stable (Assigned)</b>
<b>Proposed Cash Credit</b>	<b>5.30</b>	<b>SMERA B+/Stable (Assigned)</b>

SMERA has assigned a rating of '**SMERA B+**' (**read as SMERA single B plus**) to the Rs.12.50 crore bank facilities of Sun Blues (SB). The outlook is '**Stable**'. The rating is primarily constrained by the firm's short track record of operations, small operating scale, low net worth and working capital-intensive operations. The rating is further constrained by the decline in the net profit margin reported by the firm in FY2013-14 (refers to financial year, April 01 to March 31). However, the rating is supported by the strong revenue growth registered by the firm. The rating also draws comfort from the firm's healthy order book position.

SB, established in 2008, is a Vellore-based partnership firm engaged in mining, quarrying and crushing of boulders used in production of blue metal. SB commenced commercial operations in FY2009-10. The firm's small operating scale is reflected in revenues of Rs.33.61 crore in FY2013-14. SB's net worth is low at Rs.13.26 crore as on March 31, 2014. The firm's gross current assets (in days) have increased from 137 days in FY2012-13 to 190 days in FY2013-14. Moreover, SB's average utilisation of working capital limit is high at 92 per cent during March 2014 to June 2014. The firm's net profit margin declined from 5.04 per cent in FY2012-13 to 2.92 per cent in FY2013-14 on account of increase in interest cost.

SB's revenues increased from Rs.18.95 crore in FY2012-13 to Rs.33.61 crore in FY2013-14, a growth of ~70 per cent. The firm has pending orders worth Rs.5.00 crore (as on August 31, 2014), which indicates healthy revenue visibility for the near term.

### **Outlook: Stable**

SMERA believes the outlook on SB's rated facilities will remain stable over the medium term. The outlook may be revised to 'Positive' in case the firm registers sustained growth in revenues and profitability while achieving efficient working capital management. The outlook may be revised to 'Negative' in case of deterioration in the firm's capital structure, or in case of decline in the firm's profit margins.

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**About the firm**

SB, established in 2008, is a Vellore-based partnership firm promoted by Mr. S. K. Sabapathy, Mrs. Ritha Sabapathy and Mrs. P. S Seethamma. The overall operations of the firm are currently managed by Mr. S. K. Sabapathy and Mrs. Ritha Sabapathy. SB is engaged in mining, quarrying and crushing of boulders used in production of blue metal.

For FY2013-14, SB reported net profit of Rs.0.98 crore on operating income of Rs.33.61 crore, as compared with net profit of Rs.0.96 crore on operating income of Rs.18.95 crore in FY2012-13. SB's net worth stood at Rs.13.26 crore as on March 31, 2014, as compared with Rs.8.81 crore a year earlier.

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